

MARSHALL COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2018

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KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note Q to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective as of July 1, 2017. As a result of the implementation of GASB Statement No. 75, the District reported a restatement for the change in accounting principle. My opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits other than pensions (OPEB) information on pages 4 through 9 and 52 through 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2018, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marshall County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 14, 2018

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the Marshall County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- Property assessments generated on July 27, 2017 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at \$2,225,529,845 and motor vehicle valuation at \$291,933,736. The real estate and personal property rate approved by the Marshall County Board of Education was 47.4 cents for real estate and tangible. Real Estate/Tangible rates represented the same rate as the prior year. Note: 5.9 cents of this rate was required to produce the 5 cent equivalent. The total collected was \$10,078,738. The motor vehicle property tax rate was 45.6 cents per \$100 of assessed property. This is the same rate as the prior year. The total collected was \$1,470,719.55.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The current year Adjusted Average Daily Attendance (AADA) plus growth was 4,376.132 compared to prior year AADA plus growth of 4,388.538. The district showed no growth this year over the prior year. Growth is calculated by taking the difference between the end of the second month attendance figures in the current year (FY18) and the end of the second month attendance figures in the prior year (FY17). (Note: In years when the ADA declines, there is no penalty. Districts are simply funded based on the prior year end of year AADA). The Superintendents Annual Attendance Report (SAAR) for FY18 showed an ending ADA of 4,221.41. This number will represent the minimum allocation for the next year (FY19). During FY 18, the state equalized the recallable nickel at 100%.
- During FY18, the District received \$15,563,091 in state SEEK funds. This is \$97,540 less than the prior year. The guaranteed per pupil base was \$3,981 (same as FY17). Transportation was once again not fully funded through the SEEK calculation during FY18. While the full funding calculation yielded \$2,493,371, funding was prorated at 62.6% for a total of \$1,560,260 received (\$933,111 less than full funding).
- The utility gross receipts license (UGRL) tax for schools is assessed on gross receipts derived from the furnishing of utility services and/or cable services within a school district. The service provider collects the tax based on the rate established by the local authority. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.

Utilities receipts were up 10.96% from the prior year. The total collection for the year was \$3,183,844.61. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection.

- Each year the Tennessee Valley Authority (TVA) is required to make in lieu of tax payments to the Commonwealth of Kentucky as provided by Section 13 of the TVA Act and KRS 96.895. The amount received is determined by the proportion that the book value of TVA property in each taxing district, multiplied by the current tax rate, bears to the total of the book values of TVA property in all taxing districts in the Commonwealth, multiplied by their respective tax rates. Of the Marshall County Schools allocation, 70% is distributed to the Local Education Authority (LEA) while 30% is retained by state government. TVA in lieu of tax funds have steadily declined over the past few years due largely to the closing of USEC. The following table shows all in lieu of tax revenue:

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$1,139,350 | \$1,196,742 | \$1,079,640 | \$1,377,572 | \$1,629,389 | \$1,681,185 |

For FY18 the breakdown is: TVA, 90.6%, Paducah Power, 5.8%, Benton Electric, 3.6%.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

FINANCIAL HIGHLIGHTS (Continued)

- Payroll and benefits for FY18 (including sick leave payout for retirees and excluding on-behalf payments) were \$31,200,927.52 as compared to \$29,723,215 in FY17. The salary schedule included an across the board raise of 2%. It also included an additional 2% for custodians, instructional assistants, cooks and managers. The certified substitute teacher schedule for ranks I, II and III was increased by 4%. Small and large step increases for both certified and classified employees and rank changes for certified are built into the annual salary schedule. NOTE: sick leave payout in FY18 was \$269,521.24 and was \$136,289 in FY17.
- Based on the retiree health care legislation passed through the Kentucky House of Representatives (signed into law by the Governor on April 13, 2010) there is a "shared responsibility solution" now where districts are required to match the employees' contributions for the health portion of the Kentucky Teachers' Retirement System (KTRS) account according to the chart below. (KTRS is currently known as Teachers' Retirement System (TRS)).

| KTRS Health | 17-18 | 14-15 | 13-14 | 12-13 | 11-12 | 10-11 | PRIOR YRS |
|-------------|-----------|-----------|-----------|-----------|----------|----------|-----------|
| Rate | 3.00% | 2.25% | 1.50% | 1.00% | .50% | .25% | 0% |
| Cost | \$547,582 | \$403,381 | \$276,241 | \$178,518 | \$93,973 | \$57,325 | \$0 |

Throughout FY18 there has been continued debate and speculation over the future of TRS with respect to funding and structure.

- Most classified personnel are covered under the County Employees Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). Employer matching was 6.34% in FY03. It has increased over the years and has become a significant budget issue. At 18.68% in FY17 and 19.18% in FY18, the employer matching requirement (for all funds) increased in FY18 by \$164,795.36 for a total expenditure of \$1,284,262.32.
- Federal statute changes and the Tenth Circuit of United States Court of Appeals ruling in Public Employees Retirement Board v. Shalala, in May 2014, requires that the retirement contribution amount is now to be included in FICA and Medicare taxable wages. Previously, the Commonwealth of Kentucky had been issued a private letter ruling dated February 2nd, 1987 which exempted the pension contribution from wages for calculation purposes. Effective January 1, 2017, the only allowable deduction from gross wages to calculate FICA and Medicare will be cafeteria plan withholdings. The cost to the District during FY18 for the additional matching is estimated at \$103,000. This was the first full year for the change.
- The level at which grants are subsidized by the District remains significant. As a number of variables cause grant awards to fluctuate, the District must choose to either subsidize the individual grant(s) or make adjustments in the program(s). During FY18, the District spent approximately \$1.3 million to supplement programs as follows: Technical Center, 68.71%, KERA Preschool, 18.37%, Read To Achieve, 3.32%, Math Achievement Fund, 2.76%, Family Resource, 2.70%, Teacher Quality, 1.10%, Adult Learning Center, .96%, Extended School Services, .88%, Gifted and Talented, .84% and Professional Development, .36%.
- There was no significant difference in the amount spent for electricity during FY18 (\$1,151,741.10) compared to FY17 (\$1,153,276.28). Natural gas expenditures were up 18.6% over the prior year with \$184,902.72 being spent. Water expenditures were up 49.5% over the prior year for a total of \$120,731.85. There were multiple main breaks at MCHS during the year.

These percentages only reflect actual dollars spent during the year and do not factor in any differences in usage from year to year.

- Five school buses (3 type C, 2 type D) were purchased in FY18 for a total of \$513,899.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

FINANCIAL HIGHLIGHTS (Continued)

- Major district facility improvements are traditionally achieved according to the district facility plan combined with available funding. During FY16, the local planning committee (LPC) presented a new facility plan. This plan was approved by the Kentucky Board of Education on June 8th, 2016. It remains the current plan on file with KDE with the next review required in 2020 (every 4 years). This plan shows capital construction priorities with a cost estimate of \$30,528,550. Ongoing bonded projects for this year are Marshall County High School Renovation, Sharpe Elementary School Addition and Renovation and the Guaranteed Energy Savings Project. Also, this biennium, Districts are able to use the Capital Funds Request process to address projects not listed on the district facility plan. The District and KDE approved a Capital Funds Request form in the amount of \$2,340,367 (from remaining building funds during FY16 and FY17) at the end of FY17. As of the end of FY18, this CFR had not been closed out as projects were ongoing. The District and KDE approved two Capital Funds Request forms for FY18 (from remaining building funds during FY18) in the amounts of \$365,275 and \$65,953. At the end of FY18, these CFR's had not been closed out as projects were ongoing.
- Property (down 19.56%), fleet (down 5.53%) and workers compensation (down 9.15%) insurance premiums saw a decrease at renewal during FY18 while student accident had a 6.06% increase at renewal.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations, adult education, and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 20 of this report.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,045,896 as of June 30, 2018.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

| | Net Position for the period ending | |
|---|---|-----------------------------|
| | June 30, 2018 | June 30, 2017 |
| Current Assets | \$ 36,310,934 | \$ 12,987,333 |
| Noncurrent Assets | 62,391,214 | 58,346,795 |
| Total Assets | <u>\$ 98,702,148</u> | <u>\$ 71,334,128</u> |
| Deferred Loss from Refunding Bonds | \$ 732,481 | \$ 848,505 |
| Deferred Outflows Related to Pensions | 4,272,836 | 2,520,278 |
| Deferred Outflows Related to OPEBs | 1,831,810 | 0 |
| Total Deferred Outflows of Resources | <u>\$ 6,837,127</u> | <u>\$ 3,368,783</u> |
| Current Liabilities | \$ 5,031,430 | \$ 3,084,349 |
| Noncurrent Liabilities | 90,680,175 | 47,698,208 |
| Total Liabilities | <u>\$ 95,711,605</u> | <u>\$ 50,782,557</u> |
| Deferred Inflows Related to Pensions | \$ 1,393,991 | \$ 15,506 |
| Deferred Inflows Related to OPEBs | 387,783 | 0 |
| Total Deferred Inflows of Resources | <u>\$ 1,781,774</u> | <u>\$ 15,506</u> |
| Net investment in capital assets | \$ 581,089 | \$ 21,633,771 |
| Restricted for: | | |
| District activity funds | 258,505 | 184,965 |
| SFCC escrow | 99,860 | 0 |
| Capital projects and construction | 22,722,717 | 2,112,044 |
| Debt service | 36,957 | 36,299 |
| Other | 1,291,544 | 317,315 |
| Food service | (1,441,006) | (802,637) |
| Unrestricted | (15,503,770) | 423,091 |
| Total Net Position | <u>\$ 8,045,896</u> | <u>\$ 23,904,848</u> |

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2018, compared to the fiscal year ended June 30, 2017.

| | June 30, 2018 | June 30, 2017 |
|-----------------------------------|----------------------------|-----------------------------|
| Program Revenues: | | |
| Charges for Services-Governmental | \$ 323,889 | \$ 316,665 |
| Charges for Services-Food Service | 412,101 | 569,247 |
| Operating Grants-Governmental | 17,098,980 | 12,862,812 |
| Operating Grants-Food Service | 2,569,659 | 2,355,899 |
| Capital Grants-Governmental | <u>1,654,189</u> | <u>2,169,793</u> |
| Total program revenues | <u>22,058,818</u> | <u>18,274,416</u> |
| General Revenues: | | |
| Taxes | 18,072,814 | 17,754,650 |
| Earnings on investments | 301,886 | 196,312 |
| State and formula grants | 15,563,091 | 15,660,631 |
| Gain on retirement of assets | 1,300 | 49,765 |
| Miscellaneous | <u>1,804</u> | <u>5,010</u> |
| Total general revenues | <u>33,940,895</u> | <u>33,666,368</u> |
| Total Revenues | <u>55,999,713</u> | <u>51,940,784</u> |
| Expenses: | | |
| Instruction | 33,901,838 | 29,991,783 |
| Student support services | 2,181,657 | 2,031,726 |
| Instructional support | 1,314,277 | 1,242,734 |
| District administration | 1,662,919 | 1,479,989 |
| School administration | 2,705,633 | 2,318,861 |
| Business support | 1,250,074 | 1,000,100 |
| Plant operations | 5,985,224 | 5,588,530 |
| Student transportation | 2,998,212 | 2,790,370 |
| Community services | 348,381 | 336,560 |
| Food Service Operation | 3,250,440 | 3,109,308 |
| Adult education | 2,380 | 2,444 |
| Interest on long-term debt | 1,362,846 | 1,311,632 |
| Other Debt Service | <u>235,949</u> | <u>35,427</u> |
| Total expenses | <u>57,199,830</u> | <u>51,239,464</u> |
| Change in Net Position | (1,200,117) | 701,320 |
| Beginning Net Position | 23,904,848 | 23,203,528 |
| Prior period adjustment | <u>(14,658,835)</u> | <u>0</u> |
| Ending Net Position | <u>\$ 8,045,896</u> | <u>\$ 23,904,848</u> |

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Funds Revenue Recap

Revenue (excluding proceeds from bonds, sale of assets, interfund transfers and on-behalf payments) was derived from state funding (44.6%) followed by local funding (44.3%), and federal funding (11.1%).

Governmental Funds Expenditure Recap

Instruction expenditures made up the majority at (56.6%) followed by Plant Operations (11.9%), Food Service Operations (6.3%), Student Transportation (5.6%), School Administration Support (4.3%), Student Support (3.5%), District Administration (3.4%), Interest on Long-Term Debt, (3.0%), Instructional Support (2.1%), Business Support (2.0%), Community Services (0.8%), and Other Debt Service (.5%).

COMMENTS ON BUDGET COMPARISONS

During the 16-18 Biennium, the General Assembly continues to allow flexibility in the use of school district capital funds without forfeiting the District's eligibility to participate in the School Facilities Construction Commission (SFCC) program. As such, the potential for significant budget changes are present, potentially affecting the flow from one fiscal year to another.

There was a distinct increase in budget for FY18 on-behalf (payments made by the state of Kentucky on behalf of the District) primarily due to Teacher Retirement System (TRS) increases.

At the end of each odd fiscal year, remaining funds in the capital outlay fund and the building fund must be moved to a restricted SFCC escrow account if the District wants to participate in SFCC offers of assistance. Because of this, there are no funds budgeted to the carryforward account in an even fiscal year for these capital funds.

ADDITIONAL NOTES

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% and above as being appropriate, especially considering the uncertainty of a number of critical factors. In 2013, KDE changed the methodology for calculating contingency and fund balance. The effect of the new formula is that the contingency will be higher. This change was made to better match the expenditures used with the Fund 1 fund balance or contingency amount. The KDE also commented at that time that future conversations will take place regarding the adequacy of the 2% benchmark. The FY18 working budget was approved at the September 21, 2017 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

There was a distinct increase in actual for FY18 on-behalf (payments made by the state of Kentucky on behalf of the District) primarily due to Teacher Retirement System (TRS) increases. FY18 actual for TRS was \$6,661,011 compared to \$3,184,232 in FY17.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 34,558,514 | \$ 348,691 | \$ 34,907,205 |
| Accounts receivable: | | | |
| Taxes - current | 654,519 | 0 | 654,519 |
| Taxes - delinquent | 25,445 | 0 | 25,445 |
| Accounts receivable | 17,317 | 9,452 | 26,769 |
| Due from school activity funds | 2,253 | 0 | 2,253 |
| Interest | 44,876 | 0 | 44,876 |
| Intergovernmental - state | 49,361 | 0 | 49,361 |
| Intergovernmental - indirect federal | 497,182 | 0 | 497,182 |
| Inventory | 0 | 46,000 | 46,000 |
| Prepaid expenses | 57,324 | 0 | 57,324 |
| Total current assets | <u>35,906,791</u> | <u>404,143</u> | <u>36,310,934</u> |
| Noncurrent Assets: | | | |
| Capital assets | 107,558,025 | 1,802,288 | 109,360,313 |
| Less: Accumulated depreciation | (45,566,990) | (1,402,109) | (46,969,099) |
| Total noncurrent assets | <u>61,991,035</u> | <u>400,179</u> | <u>62,391,214</u> |
| TOTAL ASSETS | <u>\$ 97,897,826</u> | <u>\$ 804,322</u> | <u>\$ 98,702,148</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred loss from refunding bonds | \$ 1,471,965 | \$ 0 | \$ 1,471,965 |
| Less: Accumulated amortization | (739,484) | 0 | (739,484) |
| Deferred pension related outflows | 3,697,887 | 574,949 | 4,272,836 |
| Deferred OPEB related outflows | 1,666,918 | 164,892 | 1,831,810 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 6,097,286</u> | <u>\$ 739,841</u> | <u>\$ 6,837,127</u> |
| LIABILITIES : | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 2,360,663 | \$ 53 | \$ 2,360,716 |
| Unearned grant revenue | 239,647 | 0 | 239,647 |
| Current portion of bond obligations | 1,978,000 | 0 | 1,978,000 |
| Less: Current portion of unamortized bond discount | (36,994) | 0 | (36,994) |
| Current portion of KSBIT payable | 21,872 | 0 | 21,872 |
| Current portion of accrued sick leave | 118,542 | 7,681 | 126,223 |
| Interest payable | 341,966 | 0 | 341,966 |
| Total current liabilities | <u>5,023,696</u> | <u>7,734</u> | <u>5,031,430</u> |
| Noncurrent Liabilities: | | | |
| Noncurrent portion of bond obligations | 61,187,000 | 0 | 61,187,000 |
| Less: Noncurrent portion of unamortized bond discount | (585,400) | 0 | (585,400) |
| Noncurrent portion of KSBIT payable | 43,742 | 0 | 43,742 |
| Noncurrent portion of accrued sick leave | 595,564 | 38,588 | 634,152 |
| Net pension liability | 11,106,923 | 1,726,922 | 12,833,845 |
| Net OPEB liability | 15,973,718 | 593,118 | 16,566,836 |
| Total noncurrent liabilities | <u>88,321,547</u> | <u>2,358,628</u> | <u>90,680,175</u> |
| TOTAL LIABILITIES | <u>\$ 93,345,243</u> | <u>\$ 2,366,362</u> | <u>\$ 95,711,605</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred pension related inflows | \$ 1,206,416 | \$ 187,575 | \$ 1,393,991 |
| Deferred OPEB related inflows | 356,730 | 31,053 | 387,783 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>\$ 1,563,146</u> | <u>\$ 218,628</u> | <u>\$ 1,781,774</u> |
| NET POSITION: | | | |
| Net investment in capital assets | \$ 180,910 | \$ 400,179 | \$ 581,089 |
| Restricted for: | | | |
| District activity funds | 258,505 | 0 | 258,505 |
| SFCC escrow | 99,860 | 0 | 99,860 |
| Capital projects and construction | 22,722,717 | 0 | 22,722,717 |
| Debt service | 36,957 | 0 | 36,957 |
| Other | 1,291,544 | 0 | 1,291,544 |
| Food service | 0 | (1,441,006) | (1,441,006) |
| Unrestricted | (15,503,770) | 0 | (15,503,770) |
| TOTAL NET POSITION | <u>\$ 9,086,723</u> | <u>\$ (1,040,827)</u> | <u>\$ 8,045,896</u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| | | | | | Net (Expense) Revenue and | | |
|----------------------------------|---------------|------------|---------------|--------------|---------------------------|----------------|-----------------|
| | | | | | Changes in Net Position | | |
| | | | | | Business- | | |
| | | | | | Governmental | Type | |
| | | | | | Activities | Activities | Total |
| FUNCTIONS/PROGRAMS | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 33,901,838 | \$ 322,601 | \$ 13,144,469 | \$ 1,654,189 | \$ (18,780,579) | \$ 0 | \$ (18,780,579) |
| Support Services: | | | | | | | |
| Student | 2,181,657 | 0 | 596,745 | 0 | (1,584,912) | 0 | (1,584,912) |
| Instructional Staff | 1,314,277 | 0 | 568,940 | 0 | (745,337) | 0 | (745,337) |
| District Administration | 1,662,919 | 0 | 142,636 | 0 | (1,520,283) | 0 | (1,520,283) |
| School Administration | 2,705,633 | 0 | 744,311 | 0 | (1,961,322) | 0 | (1,961,322) |
| Business | 1,250,074 | 0 | 329,558 | 0 | (920,516) | 0 | (920,516) |
| Plant operations and maintenance | 5,985,224 | 1,288 | 644,558 | 0 | (5,339,378) | 0 | (5,339,378) |
| Student transportation | 2,998,212 | 0 | 523,145 | 0 | (2,475,067) | 0 | (2,475,067) |
| Community service activities | 348,381 | 0 | 271,230 | 0 | (77,151) | 0 | (77,151) |
| Interest on long-term debt | 1,362,846 | 0 | 133,388 | 0 | (1,229,458) | 0 | (1,229,458) |
| Other debt service | 235,949 | 0 | 0 | 0 | (235,949) | 0 | (235,949) |
| Total governmental activities | 53,947,010 | 323,889 | 17,098,980 | 1,654,189 | (34,869,952) | 0 | (34,869,952) |
| Business-Type Activities: | | | | | | | |
| Food service | 3,250,440 | 412,101 | 2,569,659 | 0 | 0 | (268,680) | (268,680) |
| Adult education | 2,380 | 0 | 0 | 0 | 0 | (2,380) | (2,380) |
| Total business-type activities | 3,252,820 | 412,101 | 2,569,659 | 0 | 0 | (271,060) | (271,060) |
| Total primary government | \$ 57,199,830 | \$ 735,990 | \$ 19,668,639 | \$ 1,654,189 | (34,869,952) | (271,060) | (35,141,012) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 10,300,216 | 0 | 10,300,216 |
| Motor Vehicle | | | | | 1,470,720 | 0 | 1,470,720 |
| Utilities | | | | | 3,183,845 | 0 | 3,183,845 |
| Occupational license tax | | | | | 1,936,684 | 0 | 1,936,684 |
| In Lieu of | | | | | 1,181,349 | 0 | 1,181,349 |
| Earnings on Investments | | | | | 296,000 | 5,886 | 301,886 |
| State and formula grants | | | | | 15,563,091 | 0 | 15,563,091 |
| Gain on retirement of assets | | | | | 1,300 | 0 | 1,300 |
| Miscellaneous | | | | | 1,804 | 0 | 1,804 |
| Change in net position | | | | | (934,943) | (265,174) | (1,200,117) |
| Net position at July 1, 2017 | | | | | 24,246,533 | (341,685) | 23,904,848 |
| Prior period adjustment - Note Q | | | | | (14,224,867) | (433,968) | (14,658,835) |
| Net position at June 30, 2018 | | | | | \$ 9,086,723 | \$ (1,040,827) | \$ 8,045,896 |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Special Revenue Fund | Construction Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|----------------------|---|--------------------------------|
| ASSETS AND RESOURCES: | | | | | |
| Cash and cash equivalents | \$ 8,340,112 | \$ 264,364 | \$ 24,490,817 | \$ 1,125,295 | \$ 34,220,588 |
| Accounts receivable: | | | | | |
| Taxes - current | 654,519 | 0 | 0 | 0 | 654,519 |
| Taxes - delinquent | 25,445 | 0 | 0 | 0 | 25,445 |
| Accounts receivable | 16,813 | 504 | 0 | 0 | 17,317 |
| Due from other funds | 181,906 | 0 | 0 | 0 | 181,906 |
| Due from school activity funds | 1,696 | 557 | 0 | 0 | 2,253 |
| Interest | 14,493 | 162 | 30,221 | 0 | 44,876 |
| Intergovernmental - state | 0 | 49,361 | 0 | 0 | 49,361 |
| Intergovernmental - indirect federal | 16,853 | 480,329 | 0 | 0 | 497,182 |
| Prepaid expenses | 57,324 | 0 | 0 | 0 | 57,324 |
| TOTAL ASSETS AND RESOURCES | \$ 9,309,161 | \$ 795,277 | \$ 24,521,038 | \$ 1,125,295 | \$ 35,750,771 |
| LIABILITIES AND FUND BALANCE: | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 412,263 | \$ 115,219 | \$ 1,798,321 | \$ 0 | \$ 2,325,803 |
| Due to other funds | 0 | 181,906 | 0 | 0 | 181,906 |
| Unearned grant revenue | 0 | 239,647 | 0 | 0 | 239,647 |
| Current portion of accrued sick leave | 118,542 | 0 | 0 | 0 | 118,542 |
| TOTAL LIABILITIES | 530,805 | 536,772 | 1,798,321 | 0 | 2,865,898 |
| FUND BALANCES: | | | | | |
| Nonspendable | 57,324 | 0 | 0 | 0 | 57,324 |
| Restricted | 357,053 | 258,505 | 22,722,717 | 1,125,295 | 24,463,570 |
| Committed | 968,865 | 0 | 0 | 0 | 968,865 |
| Assigned | 2,044,776 | 0 | 0 | 0 | 2,044,776 |
| Unassigned | 5,350,338 | 0 | 0 | 0 | 5,350,338 |
| TOTAL FUND BALANCES | 8,778,356 | 258,505 | 22,722,717 | 1,125,295 | 32,884,873 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 9,309,161 | \$ 795,277 | \$ 24,521,038 | \$ 1,125,295 | \$ 35,750,771 |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

| | |
|---|---------------|
| Total governmental fund balance per fund financial statements | \$ 32,884,873 |
|---|---------------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

| | | |
|--------------------------|---------------------|------------|
| Cost | \$ 107,558,025 | |
| Accumulated depreciation | <u>(45,566,990)</u> | 61,991,035 |

Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet

| | | |
|------------------------------------|------------------|-----------|
| Deferred loss from refunding bonds | 732,481 | |
| Deferred pension related outflows | 3,697,887 | |
| Deferred OPEB related outflows | <u>1,666,918</u> | 6,097,286 |

Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds

| | | |
|----------------------------------|------------------|-------------|
| Deferred pension related inflows | (1,206,416) | |
| Deferred OPEB related inflows | <u>(356,730)</u> | (1,563,146) |

Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.

| | | |
|------------------|--|-----------|
| Interest payable | | (341,966) |
|------------------|--|-----------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | | |
|----------------------------|------------------|--------------|
| Bond and lease obligations | (62,542,606) | |
| KSBIT payable | (65,614) | |
| Net pension liability | (11,106,923) | |
| Net OPEB liability | (15,973,718) | |
| Accrued sick leave payable | <u>(595,564)</u> | (90,284,425) |

Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:

| | | |
|---------------------|-----------------|----------------|
| Current assets | 337,926 | |
| Current liabilities | <u>(34,860)</u> | <u>303,066</u> |

| | |
|---|----------------------------|
| Net position of governmental activities | <u><u>\$ 9,086,723</u></u> |
|---|----------------------------|

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

| | General Fund | Special Revenue Fund | Construction Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|----------------------|---|--------------------------------|
| REVENUES: | | | | | |
| From Local Sources: | | | | | |
| Taxes: | | | | | |
| Property | \$ 7,782,752 | \$ 0 | \$ 0 | \$ 2,517,464 | \$ 10,300,216 |
| Motor Vehicle | 1,470,720 | 0 | 0 | 0 | 1,470,720 |
| Utilities | 3,183,845 | 0 | 0 | 0 | 3,183,845 |
| Occupational license tax | 1,936,684 | 0 | 0 | 0 | 1,936,684 |
| In Lieu of | 1,139,350 | 0 | 0 | 0 | 1,139,350 |
| Earnings on Investments | 214,746 | 2,008 | 80,596 | 658 | 298,008 |
| Student activities | 0 | 429,850 | 0 | 0 | 429,850 |
| Other local revenues | 236,736 | 0 | 0 | 0 | 236,736 |
| Intergovernmental - State | 27,163,558 | 2,503,196 | 0 | 1,787,577 | 31,454,331 |
| Intergovernmental - indirect federal | 101,706 | 2,609,961 | 0 | 0 | 2,711,667 |
| TOTAL REVENUES | 43,230,097 | 5,545,015 | 80,596 | 4,305,699 | 53,161,407 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 27,155,480 | 4,993,350 | 0 | 0 | 32,148,830 |
| Support Services: | | | | | |
| Student | 2,121,676 | 11,254 | 0 | 0 | 2,132,930 |
| Instructional Staff | 1,134,816 | 177,821 | 0 | 0 | 1,312,637 |
| District Administration | 1,594,145 | 25,300 | 0 | 0 | 1,619,445 |
| School Administration | 2,581,329 | 0 | 0 | 0 | 2,581,329 |
| Business | 1,156,660 | 0 | 0 | 0 | 1,156,660 |
| Plant operations and maintenance | 4,827,111 | 51,951 | 0 | 0 | 4,879,062 |
| Student transportation | 2,743,498 | 32,468 | 0 | 0 | 2,775,966 |
| Community service activities | 55,481 | 271,230 | 0 | 0 | 326,711 |
| Facilities acquisition and construction | 310,889 | 0 | 5,862,191 | 0 | 6,173,080 |
| Debt service | 0 | 0 | 0 | 2,885,335 | 2,885,335 |
| TOTAL EXPENDITURES | 43,681,085 | 5,563,374 | 5,862,191 | 2,885,335 | 57,991,985 |
| Excess (deficit) of revenues over expenditures | (450,988) | (18,359) | (5,781,595) | 1,420,364 | (4,830,578) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale or comp for loss of assets | 1,300 | 0 | 0 | 0 | 1,300 |
| Proceeds of revenue refunding bonds | 0 | 0 | 26,492,128 | 0 | 26,492,128 |
| Operating transfers in | 431,228 | 91,899 | 1,392,255 | 2,444,419 | 4,359,801 |
| Operating transfers out | (91,899) | 0 | 0 | (4,267,902) | (4,359,801) |
| TOTAL OTHER FINANCING SOURCES (USES) | 340,629 | 91,899 | 27,884,383 | (1,823,483) | 26,493,428 |
| Net change in fund balance | (110,359) | 73,540 | 22,102,788 | (403,119) | 21,662,850 |
| Fund Balance, July 1, 2017 | 8,888,715 | 184,965 | 619,929 | 1,528,414 | 11,222,023 |
| Fund Balance, June 30, 2018 | \$ 8,778,356 | \$ 258,505 | \$ 22,722,717 | \$ 1,125,295 | \$ 32,884,873 |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2018

Net change in total governmental fund balances per fund financial statements \$ 21,662,850

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.

| | | |
|----------------------|------------------|-----------|
| Depreciation expense | (2,450,286) | |
| Capital outlays | <u>6,555,478</u> | 4,105,192 |

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

| | | |
|--|--------------|---|
| Gross proceeds from the sale of fixed assets | (1,300) | |
| Gain on the disposal of fixed assets | <u>1,300</u> | 0 |

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

| | | |
|------------------------------|------------------|--------------|
| Bond proceeds | (26,492,128) | |
| Capital lease principal paid | 71,150 | |
| Note principal paid | 21,872 | |
| Bond principal paid | <u>1,747,000</u> | (24,652,106) |

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

| | | |
|---|-----------------|-----------|
| Amortization of deferred loss on early retirement of debt | (116,024) | |
| Bond issuance costs on new bond issue | (188,540) | |
| Amortization of bond discounts | <u>(47,409)</u> | (351,973) |

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

| | | |
|--------------------|--------------|-------------|
| Interest payable | (107,206) | |
| Pension expense | (1,579,594) | |
| Accrued sick leave | <u>2,143</u> | (1,684,657) |

Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.

(14,249)

| | |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ (934,943)</u></u> |
|---|----------------------------|

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

| | Food Service Fund | Total Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|------------------------------|---------------------------------------|------------------------------|------------------------------|
| ASSETS: | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 348,691 | \$ 0 | \$ 348,691 | \$ 337,926 |
| Accounts receivable: | | | | |
| Other accounts receivable | 9,452 | 0 | 9,452 | 0 |
| Inventory | 46,000 | 0 | 46,000 | 0 |
| Total current assets | <u>404,143</u> | <u>0</u> | <u>404,143</u> | <u>337,926</u> |
| Noncurrent Assets | | | | |
| Capital assets | 1,662,168 | 140,120 | 1,802,288 | 0 |
| Less: accumulated depreciation | <u>(1,272,297)</u> | <u>(129,812)</u> | <u>(1,402,109)</u> | <u>0</u> |
| Total noncurrent assets | <u>389,871</u> | <u>10,308</u> | <u>400,179</u> | <u>0</u> |
| TOTAL ASSETS | <u><u>\$ 794,014</u></u> | <u><u>\$ 10,308</u></u> | <u><u>\$ 804,322</u></u> | <u><u>\$ 337,926</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred pension related outflows | \$ 574,949 | \$ 0 | \$ 574,949 | \$ 0 |
| Deferred OPEB related outflows | <u>164,892</u> | <u>0</u> | <u>164,892</u> | <u>0</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 739,841</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 739,841</u></u> | <u><u>\$ 0</u></u> |
| LIABILITIES: | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 53 | \$ 0 | \$ 53 | \$ 0 |
| Current portion of accrued sick leave | 7,681 | 0 | 7,681 | 0 |
| Estimated claims payable, current | <u>0</u> | <u>0</u> | <u>0</u> | <u>34,860</u> |
| Total current liabilities | <u>7,734</u> | <u>0</u> | <u>7,734</u> | <u>34,860</u> |
| Noncurrent Liabilities | | | | |
| Noncurrent portion of accrued sick leave | 38,588 | 0 | 38,588 | 0 |
| Net pension liability | 1,726,922 | 0 | 1,726,922 | 0 |
| Net OPEB liability | <u>593,118</u> | <u>0</u> | <u>593,118</u> | <u>0</u> |
| Total noncurrent liabilities | <u>2,358,628</u> | <u>0</u> | <u>2,358,628</u> | <u>0</u> |
| TOTAL LIABILITIES | <u><u>\$ 2,366,362</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 2,366,362</u></u> | <u><u>\$ 34,860</u></u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred pension related inflows | \$ 187,575 | \$ 0 | \$ 187,575 | \$ 0 |
| Deferred OPEB related inflows | <u>31,053</u> | <u>0</u> | <u>31,053</u> | <u>0</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u><u>\$ 218,628</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 218,628</u></u> | <u><u>\$ 0</u></u> |
| Net Position | | | | |
| Net investment in capital assets | \$ 389,871 | \$ 10,308 | \$ 400,179 | \$ 0 |
| Restricted for food service | (1,441,006) | 0 | (1,441,006) | 0 |
| Other restricted | <u>0</u> | <u>0</u> | <u>0</u> | <u>303,066</u> |
| Total net position | <u><u>\$ (1,051,135)</u></u> | <u><u>\$ 10,308</u></u> | <u><u>\$ (1,040,827)</u></u> | <u><u>\$ 303,066</u></u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

| | Food Service Fund | Total Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
|---|-------------------------|---------------------------------------|------------------------------|-----------------------------|
| Operating Revenues: | | | | |
| Lunchroom sales | \$ 400,745 | \$ 0 | \$ 400,745 | \$ 0 |
| Other operating revenues | 11,356 | 0 | 11,356 | 0 |
| Charges for services from other funds | 0 | 0 | 0 | 302,177 |
| COBRA revenues | 0 | 0 | 0 | 9,238 |
| Total operating revenues | 412,101 | 0 | 412,101 | 311,415 |
| Operating Expenses: | | | | |
| Salaries and benefits | 1,689,541 | 0 | 1,689,541 | 0 |
| Contract services | 27,981 | 0 | 27,981 | 28,112 |
| Materials and supplies | 1,456,734 | 0 | 1,456,734 | 0 |
| Depreciation | 63,828 | 2,380 | 66,208 | 0 |
| Claims paid | 0 | 0 | 0 | 302,494 |
| Other operating expenses | 12,356 | 0 | 12,356 | 0 |
| Total operating expenses | 3,250,440 | 2,380 | 3,252,820 | 330,606 |
| Operating income (loss) | (2,838,339) | (2,380) | (2,840,719) | (19,191) |
| Non-Operating Revenues (Expenses): | | | | |
| Federal grants | 1,951,990 | 0 | 1,951,990 | 0 |
| Donated commodities | 182,969 | 0 | 182,969 | 0 |
| State grants | 434,700 | 0 | 434,700 | 0 |
| Interest income | 5,886 | 0 | 5,886 | 4,942 |
| Total non-operating revenues | 2,575,545 | 0 | 2,575,545 | 4,942 |
| Change in net position | (262,794) | (2,380) | (265,174) | (14,249) |
| Net Position, July 1, 2017 | (354,373) | 12,688 | (341,685) | 317,315 |
| Prior Period Adjustment - Note Q | (433,968) | 0 | (433,968) | 0 |
| Net Position, June 30, 2018 | \$ (1,051,135) | \$ 10,308 | \$ (1,040,827) | \$ 303,066 |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

| | Food Service Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
|---|-------------------------|------------------------------|------------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from: | | | | |
| Lunchroom sales | \$ 400,745 | \$ 0 | \$ 400,745 | \$ 0 |
| Other operating revenues | 10,530 | 0 | 10,530 | 9,238 |
| Charges for services from other funds | 0 | 0 | 0 | 302,177 |
| Cash paid to/for: | | | | |
| Employees | (1,083,861) | 0 | (1,083,861) | 0 |
| Contract services | (28,284) | 0 | (28,284) | (28,112) |
| Materials and supplies | (1,284,537) | 0 | (1,284,537) | 0 |
| Other operating expenses | (12,781) | 0 | (12,781) | (295,849) |
| Net cash provided by (used in) operating activities | <u>(1,998,188)</u> | <u>0</u> | <u>(1,998,188)</u> | <u>(12,546)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Operating grants received | 1,977,793 | 0 | 1,977,793 | 0 |
| Net cash provided by (used in) | | | | |
| non-capital financing activities | <u>1,977,793</u> | <u>0</u> | <u>1,977,793</u> | <u>0</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Purchases of capital assets | (5,435) | 0 | (5,435) | 0 |
| Net cash provided by (used in) | | | | |
| capital and related financing activities | <u>(5,435)</u> | <u>0</u> | <u>(5,435)</u> | <u>0</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest income received | 5,886 | 0 | 5,886 | 4,942 |
| Net cash provided by (used in) investing activities | <u>5,886</u> | <u>0</u> | <u>5,886</u> | <u>4,942</u> |
| Net increase (decrease) in cash and cash equivalents | (19,944) | 0 | (19,944) | (7,604) |
| Cash and cash equivalents, July 1, 2017 | <u>368,635</u> | <u>0</u> | <u>368,635</u> | <u>345,530</u> |
| Cash and cash equivalents, June 30, 2018 | <u>\$ 348,691</u> | <u>\$ 0</u> | <u>\$ 348,691</u> | <u>\$ 337,926</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (2,838,339) | \$ (2,380) | \$ (2,840,719) | \$ (19,191) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 63,828 | 2,380 | 66,208 | 0 |
| On behalf payments | 408,897 | 0 | 408,897 | 0 |
| Commodities used | 182,969 | 0 | 182,969 | 0 |
| Changes in assets and liabilities: | | | | |
| Inventory | (10,130) | 0 | (10,130) | 0 |
| Deferred outflows of resources | (364,438) | 0 | (364,438) | 0 |
| Accounts receivable | (826) | 0 | (826) | 0 |
| Accounts payable | (1,317) | 0 | (1,317) | 6,645 |
| Accrued sick leave | 2,417 | 0 | 2,417 | 0 |
| Net pension liability | 217,234 | 0 | 217,234 | 0 |
| Net OPEB liability | 124,989 | 0 | 124,989 | 0 |
| Deferred inflows of resources | 216,528 | 0 | 216,528 | 0 |
| Net cash provided by (used in) operating activities | <u>\$ (1,998,188)</u> | <u>\$ 0</u> | <u>\$ (1,998,188)</u> | <u>\$ (12,546)</u> |
| Non-Cash Investing, Capital, and Financing Activities: | | | | |
| Food commodities received | \$ 182,969 | \$ 0 | \$ 182,969 | \$ 0 |
| On behalf payments | 408,897 | 0 | 408,897 | 0 |
| Total Non-Cash Investing, Capital, and | | | | |
| Financing Activities | <u>\$ 591,866</u> | <u>\$ 0</u> | <u>\$ 591,866</u> | <u>\$ 0</u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

| | Private Purpose Trust Funds | Agency Fund |
|-----------------------------------|--------------------------------------|--------------------------|
| | <u> </u> | <u> </u> |
| ASSETS: | | |
| Cash and cash equivalents | \$ 363,474 | \$ 399,657 |
| Accounts receivable | <u>80</u> | <u>2,638</u> |
| Total Assets | <u><u>\$ 363,554</u></u> | <u><u>\$ 402,295</u></u> |
| | | |
| LIABILITIES: | | |
| Accounts payable | \$ 0 | \$ 12,034 |
| Due to Governmental Funds | 0 | 2,253 |
| Due to student groups | <u>0</u> | <u>388,008</u> |
| Total Liabilities | <u><u>\$ 0</u></u> | <u><u>\$ 402,295</u></u> |
| | | |
| NET POSITION HELD IN TRUST | <u><u>\$ 363,554</u></u> | <u><u>\$ 0</u></u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

| | Private Purpose Trust Funds |
|------------------------------------|--------------------------------------|
| | <u> </u> |
| Additions: | |
| Interest income | \$ 6,007 |
| Contributions received | <u>25,226</u> |
| Total Additions | <u>31,233</u> |
| Deductions: | |
| Benefits paid | <u>34,845</u> |
| Total Deductions | <u>34,845</u> |
| Change in net position | (3,612) |
| Net position, July 1, 2017 | <u>367,166</u> |
| Net position, June 30, 2018 | <u><u>\$ 363,554</u></u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2018

NOTE A – REPORTING ENTITY

The Marshall County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation's Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District's financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 73. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise and Internal Service Funds)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$182,969 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental and vision coverage.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.474 per \$100 valuation for real property, \$.474 per \$100 valuation for business personal property and \$.456 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2018 consisted of fidelity bonds paid during the fiscal year ended June 30, 2018 that included coverage for periods beyond June 30, 2018 and the cost of running water lines to the new South Marshall Middle School, which will be applied to the water bill each month until depleted.

Debt Costs

Unamortized discounts of \$622,394 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, leasehold improvements, and infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5-10 years |
| Audio-visual equipment | 15 years |
| Food service equipment | 10-12 years |
| Furniture and fixtures | 7 years |
| Rolling stock | 15 years |
| Other | 10 years |

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investment and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2018, the District had \$57,324 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the District had \$357,053 restricted for sick leave in the General Fund, \$258,505 restricted for district activity funds in the Special Revenue Fund, \$99,860 restricted for SFCC escrow in the FSPK fund, \$988,478 other restricted in the FSPK Fund, \$22,722,717 restricted for future construction in the Construction Fund and \$36,957 restricted for debt service in the Debt Service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2018: \$112,742 for SDBM carryforward, \$10,617 for playground equipment, \$719,759 for buses, \$60,133 for digital curriculum and \$65,614 for KSBIT insurance payable.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2018, was \$2,043,178 in the General Fund. The General Fund also had \$1,598 assigned for equipment purchases. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2018.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

The District does not have a policy regarding the use of restricted net position; however when an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's informal policy to use restricted resources first, then unrestricted resources as they are needed, with the exception of funds that are escrowed for SFCC, which must be released by the SFCC and KDE before being used.

Recent Accounting Pronouncements

In April, 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB 88 will be effective for the District beginning with its year ending June 30, 2019.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 14, 2018, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, liabilities, deferred inflows, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$35,670,336. The bank balance was \$37,163,605. Of the bank balance, \$35,285,437 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$1,878,168 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2018

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

| Governmental Activities | Balance July 1, 2017 | Additions | Retirements | Balance June 30, 2018 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Capital Assets: | | | | |
| Land | \$ 1,441,592 | \$ 0 | \$ 0 | \$ 1,441,592 |
| Land improvements | 67,000 | 0 | 0 | 67,000 |
| Buildings and improvements | 84,397,995 | 30,683 | 0 | 84,428,678 |
| Technology equipment | 3,013,193 | 0 | 0 | 3,013,193 |
| Vehicles | 7,554,907 | 553,799 | 0 | 8,108,706 |
| General Equipment | 4,509,942 | 108,805 | 0 | 4,618,747 |
| Construction | 17,918 | 5,862,191 | 0 | 5,880,109 |
| Totals at historical cost | <u>101,002,547</u> | <u>6,555,478</u> | <u>0</u> | <u>107,558,025</u> |
| Less: Accumulated depreciation | | | | |
| Land improvements | 19,761 | 3,350 | 0 | 23,111 |
| Buildings and improvements | 31,302,716 | 1,832,444 | 0 | 33,135,160 |
| Technology equipment | 3,022,423 | 0 | 0 | 3,022,423 |
| Vehicles | 5,106,748 | 432,539 | 0 | 5,539,287 |
| General Equipment | 3,665,056 | 181,953 | 0 | 3,847,009 |
| Total accumulated depreciation | <u>43,116,704</u> | <u>2,450,286</u> | <u>0</u> | <u>45,566,990</u> |
| Governmental Activities Capital Assets - Net | <u>\$ 57,885,843</u> | <u>\$ 4,105,192</u> | <u>\$ 0</u> | <u>\$ 61,991,035</u> |
| Business-Type Activities | | | | |
| Capital Assets: | | | | |
| Buildings and improvements | \$ 114,545 | \$ 0 | \$ 0 | \$ 114,545 |
| Technology equipment | 67,076 | 0 | 0 | 67,076 |
| General Equipment | 1,615,232 | 5,435 | 0 | 1,620,667 |
| Totals at historical cost | <u>1,796,853</u> | <u>5,435</u> | <u>0</u> | <u>1,802,288</u> |
| Less: Accumulated depreciation | | | | |
| Buildings and improvements | 101,946 | 2,291 | 0 | 104,237 |
| Technology equipment | 67,076 | 0 | 0 | 67,076 |
| General Equipment | 1,166,879 | 63,917 | 0 | 1,230,796 |
| Total accumulated depreciation | <u>1,335,901</u> | <u>66,208</u> | <u>0</u> | <u>1,402,109</u> |
| Business-Type Activities Capital Assets - Net | <u>\$ 460,952</u> | <u>\$ (60,773)</u> | <u>\$ 0</u> | <u>\$ 400,179</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---------------------------------|---------------------|
| Instruction | \$ 1,191,898 |
| Instructional staff support | 1,640 |
| District administration | 37,792 |
| School administrative support | 3,558 |
| Plant operation and maintenance | 823,851 |
| Student transportation | 391,547 |
| Total depreciation expense | <u>\$ 2,450,286</u> |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2018:

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rates</u> | <u>Amount Outstanding</u> |
|-------------------|----------------------|-----------------------|---------------------------|
| November 30, 2010 | November 1, 2030 | 3.625% | \$ 370,000 |
| November 30, 2011 | June 1, 2024 | 2.000% - 2.625% | 8,575,000 |
| December 30, 2014 | November 1, 2034 | 2.000% - 3.375% | 1,015,000 |
| April 16, 2015 | April 1, 2035 | 3.000% - 3.375% | 23,360,000 |
| January 6, 2016 | May 1, 2027 | 1.000% - 3.000% | 2,960,000 |
| March 20, 2018 | April 1, 2038 | 3.625% - 5.000% | 11,210,000 |
| June 27, 2018 | August 1, 2038 | 3.625% - 5.000% | 15,675,000 |
| | | | <u>\$ 63,165,000</u> |

In 1991 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$1,272,087. Amortization for the year was \$97,853 and is included as a component of interest expense.

In January, 2016, the Board issued bonds to advance refund outstanding 2007 School Building Revenue Bonds that were scheduled to mature on or after May 1, 2018. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$199,878. Amortization for the year was \$18,171 and is included as a component of interest expense. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due May 1, 2027.

In March, 2018, the Board issued \$11,210,000 in Energy Conservation Revenue Bonds for the purpose of providing funds to pay the costs of the construction of energy savings measures at various schools and facilities within the District. The District is required to make semi-annual payments of principal and interest, with the final payment due April 1, 2038.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

In June, 2018, the Board issued \$15,675,000 in School Building Revenue Bonds for the purpose of renovations to Marshall County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due August 1, 2038.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

| Year | Marshall County School District | | Kentucky School Facility Construction Commission | | Total |
|-----------|--|----------------------|---|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2018-2019 | \$ 1,682,053 | \$ 1,711,160 | \$ 295,947 | \$ 132,301 | \$ 3,821,461 |
| 2019-2020 | 1,975,523 | 1,880,741 | 313,477 | 129,155 | 4,298,896 |
| 2020-2021 | 2,048,162 | 1,821,064 | 321,838 | 120,794 | 4,311,858 |
| 2021-2022 | 2,120,562 | 1,758,577 | 330,438 | 112,194 | 4,321,771 |
| 2022-2023 | 2,207,657 | 1,691,721 | 339,343 | 103,289 | 4,342,010 |
| 2023-2024 | 2,299,496 | 1,621,360 | 348,504 | 94,128 | 4,363,488 |
| 2024-2025 | 2,387,164 | 1,548,867 | 306,836 | 84,026 | 4,326,893 |
| 2025-2026 | 2,479,119 | 1,470,256 | 315,881 | 74,980 | 4,340,236 |
| 2026-2027 | 2,590,151 | 1,385,243 | 325,849 | 65,013 | 4,366,256 |
| 2027-2028 | 2,693,123 | 1,302,832 | 198,877 | 54,876 | 4,249,708 |
| 2028-2029 | 2,727,932 | 1,221,473 | 205,068 | 48,685 | 4,203,158 |
| 2029-2030 | 2,827,353 | 1,136,710 | 211,647 | 42,105 | 4,217,815 |
| 2030-2031 | 2,937,418 | 1,048,103 | 210,582 | 35,432 | 4,231,535 |
| 2031-2032 | 3,051,375 | 952,747 | 188,625 | 29,003 | 4,221,750 |
| 2032-2033 | 3,174,507 | 852,337 | 195,493 | 22,788 | 4,245,125 |
| 2033-2034 | 3,298,240 | 745,793 | 201,760 | 16,191 | 4,261,984 |
| 2034-2035 | 3,436,703 | 633,884 | 208,297 | 9,360 | 4,288,244 |
| 2035-2036 | 3,606,032 | 488,086 | 18,968 | 2,295 | 4,115,381 |
| 2036-2037 | 3,760,344 | 358,990 | 19,656 | 1,607 | 4,140,597 |
| 2037-2038 | 3,914,619 | 221,331 | 20,381 | 882 | 4,157,213 |
| 2038-2039 | 3,355,872 | 60,825 | 14,128 | 256 | 3,431,081 |
| | <u>\$ 58,573,405</u> | <u>\$ 23,912,100</u> | <u>\$ 4,591,595</u> | <u>\$ 1,179,360</u> | <u>\$ 88,256,460</u> |

The District has an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$174,973. The District agreed to pay 25% (\$43,743) by August 31, 2014 with the remainder to be paid in equal annual installments of \$21,872, beginning August 15, 2015 through August 15, 2020. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid. At June 30, 2018, the District owed \$65,614 on this agreement.

Interest incurred and charged to expense for fiscal year ended June 30, 2018 was \$1,362,846.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

A summary of changes in long-term debt is as follows:

| Type | Balance June 30, 2017 | Increase | Decrease | Balance June 30, 2018 | Due Within One Year |
|-----------------------------|--------------------------|----------------------|---------------------|--------------------------|------------------------|
| Governmental: | | | | | |
| Bonds payable | \$ 38,027,000 | \$ 26,885,000 | \$ 1,747,000 | \$ 63,165,000 | \$ 1,978,000 |
| Less: Unamortized discounts | (465,471) | (204,332) | (47,409) | (622,394) | (36,994) |
| Capital lease payable | 71,150 | 0 | 71,150 | 0 | 0 |
| KSBIT payable | 87,486 | 0 | 21,872 | 65,614 | 21,872 |
| Sick leave | 716,675 | 254,505 | 257,074 | 714,106 | 118,542 |
| Net pension liability | 9,640,151 | 1,466,772 | 0 | 11,106,923 | 0 |
| Net OPEB liability | 15,027,246 | 946,472 | 0 | 15,973,718 | 0 |
| Totals | <u>\$ 63,104,237</u> | <u>\$ 29,348,417</u> | <u>\$ 2,049,687</u> | <u>\$ 90,402,967</u> | <u>\$ 2,081,420</u> |
| Business-Type: | | | | | |
| Sick leave | \$ 43,852 | \$ 14,052 | \$ 11,635 | \$ 46,269 | \$ 7,681 |
| Net pension liability | 1,509,688 | 217,234 | 0 | 1,726,922 | 0 |
| Net OPEB liability | 468,129 | 124,989 | 0 | 593,118 | 0 |
| Totals | <u>\$ 2,021,669</u> | <u>\$ 356,275</u> | <u>\$ 11,635</u> | <u>\$ 2,366,309</u> | <u>\$ 7,681</u> |

NOTE G – EMPLOYEE BENEFITS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

County Employees Retirement System Pension and Insurance Funds

Plan Descriptions and Benefits Provided - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS), an agency of the Commonwealth of Kentucky. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. CERS provides retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The CERS also provides other post-employment benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Retirement Systems. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the Insurance Fund is contained in the financial statements of the Kentucky Retirement Systems.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension and Insurance Funds (Continued)

The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing or calling the plan.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

Contributions – Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 are required to contribute an additional 1% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rates for non-hazardous plan members were 19.18% for the year ended June 30, 2018. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For non-hazardous contributions, 14.48% is the rate for the pension fund and 4.70% is the rate for the insurance fund. The pension contributions for the fiscal year ended June 30, 2018 were \$820,440. The insurance contributions for the fiscal year ended June 30, 2018 were \$266,304. The actuarially determined contribution requirements of plan members and the District are established and may be amended by the KRS Board of Trustees.

County Employees Retirement System Pension Fund

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$12,833,845 for its proportionate share of the net pension liability. The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .219258% for non-hazardous employees.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of \$2,130,979 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|----------------------|--------------------------------------|----------------------|
| | <u>Governmental</u> | <u>Business-Type</u> | <u>Governmental</u> | <u>Business-Type</u> |
| | <u>Activities</u> | <u>Activities</u> | <u>Activities</u> | <u>Activities</u> |
| Net differences between projected and actual earnings on pension plan investments | \$ 879,655 | \$ 136,770 | \$ 742,275 | \$ 115,410 |
| Differences between expected and actual experience | 13,776 | 2,142 | 281,941 | 43,837 |
| Changes of assumptions | 2,049,528 | 318,664 | 0 | 0 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions | 44,883 | 6,978 | 182,200 | 28,328 |
| District contributions subsequent to the measurement date | 710,045 | 110,395 | 0 | 0 |
| Total | <u>\$ 3,697,887</u> | <u>\$ 574,949</u> | <u>\$ 1,206,416</u> | <u>\$ 187,575</u> |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

Deferred outflows of resources in governmental activities of \$710,045 and in business-type activities of \$110,395 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Governmental Activities | Business-Type Activities |
|-----------------------|----------------------------|-----------------------------|
| 2019 | \$ 805,185 | \$ 125,191 |
| 2020 | 781,798 | 121,555 |
| 2021 | 337,062 | 52,407 |
| 2022 | (142,619) | (22,174) |

The net pension liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 3.50 years.

Actuarial Assumptions - The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%
Salary increases - 3.05% average, including inflation
Investment rate of return – 6.25% net of pension plan investment expense, including inflation
Payroll growth rate – 2.00%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| U.S. Equity | 17.50% | 5.97% |
| International Equity | 17.50% | 7.85% |
| Global Bonds | 4.00% | 2.63% |
| Global Credit | 2.00% | 3.63% |
| High Yield | 7.00% | 5.75% |
| Emerging Market Debt | 5.00% | 5.50% |
| Private Credit | 10.00% | 8.75% |
| Real Estate | 5.00% | 7.63% |
| Absolute Return | 10.00% | 5.63% |
| Real Return | 10.00% | 6.13% |
| Private Equity | 10.00% | 8.25% |
| Cash | 2.00% | 1.88% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the close payroll for existing members.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| | <u>1% Decrease (5.25%)</u> | <u>Current Discount (6.25%)</u> | <u>1% Increase (7.25%)</u> |
|--|--------------------------------|-------------------------------------|--------------------------------|
| District's proportionate share of net pension liability | \$16,186,252 | \$12,833,845 | \$10,029,581 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the pension plan – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the District reported a liability of \$4,407,836 for its proportionate share of the net OPEB liability of non-hazardous employees. The total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .219258% for non-hazardous employees.

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the District recognized OPEB expense of \$502,289 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
| Net differences between projected and actual earnings on OPEB plan investments | \$ 0 | \$ 0 | \$ 180,282 | \$ 28,030 |
| Differences between expected and actual experience | 0 | 0 | 10,596 | 1,647 |
| Changes of assumptions | 830,058 | 129,059 | 0 | 0 |
| Change in proportion and differences between employer contributions and proportionate share of plan contributions | 0 | 0 | 8,852 | 1,376 |
| District contributions subsequent to the measurement date | <u>230,471</u> | <u>35,833</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$ 1,060,529</u> | <u>\$ 164,892</u> | <u>\$ 199,730</u> | <u>\$ 31,053</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued) - Deferred outflows of resources in governmental activities of \$230,471 and in business-type activities of \$35,833 related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------|--------------------------------|---------------------------------|
| 2019 | \$ 108,454 | \$ 16,863 |
| 2020 | 108,454 | 16,863 |
| 2021 | 108,454 | 16,863 |
| 2022 | 108,454 | 16,863 |
| 2023 | 153,525 | 23,870 |
| Thereafter | 42,987 | 6,684 |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

The net OPEB liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 6.28 years.

Actuarial Assumptions - The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%

Salary increases - 3.05% average, including inflation

Investment rate of return – 6.25% net of OPEB plan investment expense, including inflation

Payroll growth rate – 2.00%

Healthcare trend rates – Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65).

Single discount rate – 5.84% for non-hazardous

Municipal bond rate – 3.56%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Actuarial Assumptions (Continued) - The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| U.S. Equity | 17.50% | 5.97% |
| International Equity | 17.50% | 7.85% |
| Global Bonds | 4.00% | 2.63% |
| Global Credit | 2.00% | 3.63% |
| High Yield | 7.00% | 5.75% |
| Emerging Market Debt | 5.00% | 5.50% |
| Private Credit | 10.00% | 8.75% |
| Real Estate | 5.00% | 7.63% |
| Absolute Return | 10.00% | 5.63% |
| Real Return | 10.00% | 6.13% |
| Private Equity | 10.00% | 8.25% |
| Cash | 2.00% | 1.88% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system, as a result, the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 75, the single equivalent interest rate at the measurement date of 5.84% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

| | <u>1% Decrease (4.84%)</u> | <u>Current Discount (5.84%)</u> | <u>1% Increase (6.84%)</u> |
|---|--------------------------------|-------------------------------------|--------------------------------|
| District's proportionate share of net OPEB liability | \$5,608,727 | \$4,407,836 | \$3,408,506 |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|---------------------------|--------------------|
| District's proportionate share of net OPEB liability | \$3,381,037 | \$4,407,836 | \$5,742,614 |

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the OPEB plan – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits Provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan (Continued)

Benefits Provided (Continued) - Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount of the Commonwealth's proportionate share of the net pension liability associated with the District was \$173,882,200.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Commonwealth's proportion of the total liability of TRS that is related to the District was .6444%.

For the year ended June 30, 2018, the District recognized pension expense of \$6,177,930 and revenue of \$6,177,930 for support provided by the Commonwealth.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|---|
| Investment rate of return | 7.50%, net of pension plan investment expense, Including inflation |
| Projected salary increases | 3.50-7.30%, including inflation |
| Inflation rate | 3.00% |
| Municipal Bond Index Rate | 3.56% |
| Single Equivalent Interest Rate | 4.49% |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward one year for females and two years for males. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on September 19, 2016. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|------------------------------|---|
| U.S. Equity | 42.0% | 4.4% |
| International Equity | 20.0% | 5.3% |
| Fixed Income | 16.0% | 1.5% |
| Additional Categories | 9.0% | 3.6% |
| Real Estate | 5.0% | 4.4% |
| Alternatives | 6.0% | 6.7% |
| Cash | 2.0% | .8% |
| Total | <u>100.0%</u> | |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the District, calculated using the discount rate of 4.49%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

| | 1% Decrease <u>(3.49%)</u> | Current Discount Rate <u>(4.49%)</u> | 1% Increase <u>(5.49%)</u> |
|--|-------------------------------|---|-------------------------------|
| District's proportionate share of net pension liability | \$0 | \$0 | \$0 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

Teachers' Retirement System of the State of Kentucky General Information about the OPEB Plan

Plan Description – Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Medical Insurance Plan

Plan Description - In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided - To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical Insurance Plan (Continued)

Contributions - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$12,159,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .341005%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|--|----------------------|
| District's proportionate share of the net OPEB liability | \$ 12,159,000 |
| Commonwealth's proportionate share of the net OPEB liability associated with the District | <u>9,933,000</u> |
| Total | <u>\$ 22,092,000</u> |

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,437,000 and revenue of \$477,239 for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|--|---------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
| Differences between expected and actual experience | \$ 0 | \$ 0 | \$ 157,000 | \$ 0 |
| District contributions subsequent to the measurement date | <u>606,389</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$ 606,389</u> | <u>\$ 0</u> | <u>\$ 157,000</u> | <u>\$ 0</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$606,389 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|-------------------------------|------------------------------------|-------------------------------------|
| 2019 | \$ (39,250) | \$ 0 |
| 2020 | (39,250) | 0 |
| 2021 | (39,250) | 0 |
| 2022 | (39,250) | 0 |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|--|
| Investment rate of return | 8.00% net of OPEB plan investment expense, including inflation |
| Projected salary increases | 3.50-7.20%, including inflation |
| Inflation rate | 3.00% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.50% |
| Healthcare cost trend rates | |
| Under 65 | 7.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2023 |
| Ages 65 and Older | 5.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2020 |
| Medicare Part B Premiums | 1.02% for FY 2017 with an ultimate rate of 5.00% by 2029 |
| Municipal Bond Index Rate | 3.56% |
| Discount Rate | 8.00% |
| Single Equivalent Interest Rate | 8.00% net of OPEB plan investment expense, including price inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Global Equity | 60.0% | 5.1% |
| Fixed Income | 9.0% | 1.2% |
| Real Estate | 4.5% | 4.0% |
| Private Equity | 5.5% | 6.6% |
| High Yield | 10.0% | 4.3% |
| Other Additional Categories | 10.0% | 3.3% |
| Cash (LIBOR) | 1.0% | .5% |
| Total | <u>100.0%</u> | |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of net pension liability | \$14,159,082 | \$12,159,000 | \$10,494,100 |

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|--|--------------------|-------------------------------|--------------------|
| District's proportionate share of net pension liability | \$10,183,135 | \$12,159,000 | \$14,598,836 |

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan Description – TRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The TRS Life Insurance Benefit Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits Provided - TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

Contributions - In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|--|-------------------|
| District's proportionate share of the net OPEB liability | \$ 0 |
| Commonwealth's proportionate share of the net OPEB liability associated with the District | 133,000 |
| Total | <u>\$ 133,000</u> |

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,842 and revenue of \$5,842 for support provided by the Commonwealth.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|--|
| Investment rate of return | 7.50% net of OPEB plan investment expense, including inflation |
| Projected salary increases | 3.50-7.20%, including inflation |
| Inflation rate | 3.00% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.50% |
| Municipal Bond Index Rate | 3.56% |
| Discount Rate | 7.50% |
| Single Equivalent Interest Rate | 7.50% net of OPEB plan investment expense, including price inflation. |

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| U.S. Large Cap Equity | 38.4% | 4.3% |
| U.S. Small Cap Equity | 2.6% | 4.8% |
| Developed Int'l Equity | 15.8% | 5.2% |
| Emerging Markets Equity | 4.2% | 5.4% |
| Fixed Income – Inv Grade | 16.0% | 1.2% |
| Real Estate | 6.0% | 4.0% |
| Private Equity | 7.0% | 6.6% |
| High Yield | 2.0% | 4.3% |
| Other Additional Categories | 7.0% | 3.3% |
| Cash (LIBOR) | 1.0% | .5% |
| Total | <u>100.0%</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of net pension liability | \$0 | \$0 | \$0 |

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE H - COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE I – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed a set amount per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

| | |
|---|----------------------|
| Contributions to Kentucky Teachers' Retirement System | \$ 6,661,011 |
| Technology | 87,775 |
| SFCC Debt Service | 440,916 |
| Health insurance, life insurance, flexible spending accounts (includes administrative fee) | <u>5,191,083</u> |
| Total | <u>\$ 12,380,785</u> |

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to functions as follows:

| | |
|----------------------------------|----------------------|
| Instruction | \$ 8,279,873 |
| Support services: | |
| Student | 585,491 |
| Instructional staff | 391,119 |
| District administration | 117,336 |
| School administration | 744,311 |
| Business | 329,558 |
| Plant operations and maintenance | 592,607 |
| Student transportation | 490,677 |
| Debt service | 440,916 |
| Food services | <u>408,897</u> |
| Total | <u>\$ 12,380,785</u> |

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE K – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE L – COMMITMENTS FOR CONSTRUCTION

The District has entered into contracts for various construction projects, including a new middle school, renovations at Sharpe Elementary and Marshall County High School, a new bus garage, and energy savings upgrades at various locations. The new middle school is occupied, however, some work remained to be done and there was a balance due under the contract of \$82,789 at June 30, 2018. Contract balances to finish other projects include \$1.7 million for renovations at Sharpe Elementary, \$9.5 million for renovations at Marshall County High School, \$1.6 million for the bus garage, and \$7.6 million for energy savings upgrades.

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, and food service funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2018, which consisted of the following individual fund receivables and payables:

| | <u>Receivables</u> | <u>Payables</u> |
|-----------------------|--------------------|-----------------|
| General Fund: | | |
| Special Revenue Fund | \$ 181,906 | \$ 0 |
| Agency Fund | 1,696 | 0 |
| Special Revenue Fund: | | |
| General Fund | 0 | 181,906 |
| Agency Fund | 557 | 0 |
| Agency Fund: | | |
| General Fund | 0 | 1,696 |
| Special Revenue Fund | 0 | 557 |

NOTE N – NET POSITION DEFICIT BALANCE:

The Food Service Fund has a deficit balance of \$(1,051,135). Excluding the effect on net position for GASB 68 related pension accounts of \$(1,339,548) and of GASB 75 related OPEB accounts of \$(459,279), food service has a net position of \$747,692. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE O - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

| <u>Type</u> | <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------|------------------|-----------------|-----------------------|---------------|
| Matching | General | Special Revenue | Technology Match | \$ 91,899 |
| Operating | Capital Outlay | Debt Service | Debt Service | 437,613 |
| Operating | FSPK | Debt Service | Debt Service | 2,006,806 |
| Operating | FSPK | General | Capital funds request | 431,228 |
| Capital | FSPK | Construction | Construction | 1,392,255 |

NOTE P – LITIGATION

The District is subject to legal actions, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the actions presently in progress.

NOTE Q – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING NET POSITION

In June 2015, the *Governmental Accounting Standards Board* (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which replaces GASB Statement No. 45. The new standard addresses several issues regarding postemployment benefits other than pensions, including the liabilities reported pertaining to unfunded portions and the disclosure requirements of those plans. The standard is effective for the District for the fiscal year beginning July 1, 2017. The new standard requires the District to report its proportionate share of the total net other postemployment benefit (OPEB) liabilities which consists of the insurance portion of the County Employee Retirement System Plan and the Teachers' Retirement System of the State of Kentucky Medical Insurance Plan as a liability on the statement of net position and to recognize the appropriate expense on the statement of revenues, expenses, and changes in net position. The standard also requires the deferral of changes in the net OPEB liability and amortization of those changes over set periods.

The District's proportionate share of the net OPEB liability and deferred outflows related to CERS at July 1, 2017 was \$3,457,375 and \$252,302, respectively. The District's proportionate share of the net OPEB liability and deferred outflows related to TRS at July 1, 2017 was \$12,038,000 and \$584,238, respectively. Beginning net position at July 1, 2017 has been adjusted to reflect this.

| | <u>Governmental Activities</u> | <u>Food Service Fund</u> |
|---|------------------------------------|------------------------------|
| Net position July 1, 2017, as previously stated | <u>\$ 24,246,533</u> | <u>\$ (341,685)</u> |
| Proportionate share of net OPEB liabilities – CERS | (2,989,246) | (468,129) |
| Proportionate share of net OPEB liabilities – TRS | (12,038,000) | 0 |
| Deferred outflows – CERS contributions made after the measurement date | 218,141 | 34,161 |
| Deferred outflows – TRS contributions made after the measurement date | <u>584,238</u> | <u>0</u> |
| Total adjustment to beginning net position | <u>(14,224,867)</u> | <u>(433,968)</u> |
| Net position July 1, 2017, as Restated | <u>\$ 10,021,666</u> | <u>\$ (775,653)</u> |

The net position at June 30, 2016 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2016 has not been restated and is presented based on previous guidance under GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------|-------------------|---------------------|--|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| From Local Sources: | | | | |
| Taxes: | | | | |
| Property | \$ 7,794,374 | \$ 7,794,374 | \$ 7,782,752 | \$ (11,622) |
| Motor Vehicle | 1,400,000 | 1,400,000 | 1,470,720 | 70,720 |
| Utilities | 2,900,000 | 2,900,000 | 3,183,845 | 283,845 |
| Occupational license tax | 2,200,000 | 2,000,000 | 1,936,684 | (63,316) |
| In Lieu of | 1,350,000 | 1,139,350 | 1,139,350 | 0 |
| Earnings on Investments | 162,000 | 162,000 | 214,746 | 52,746 |
| Other local revenues | 82,000 | 82,000 | 236,736 | 154,736 |
| Intergovernmental - State | 23,694,373 | 27,128,463 | 27,163,558 | 35,095 |
| Intergovernmental - indirect federal | 60,000 | 60,000 | 101,706 | 41,706 |
| TOTAL REVENUES | 39,642,747 | 42,666,187 | 43,230,097 | 563,910 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 25,052,707 | 27,634,797 | 27,155,480 | 479,317 |
| Support Services: | | | | |
| Student | 1,963,037 | 2,139,867 | 2,121,676 | 18,191 |
| Instructional Staff | 1,002,655 | 1,132,282 | 1,134,816 | (2,534) |
| District Administration | 1,388,728 | 1,677,525 | 1,594,145 | 83,380 |
| School Administration | 2,390,841 | 2,657,278 | 2,581,329 | 75,949 |
| Business | 1,126,011 | 1,272,241 | 1,156,660 | 115,581 |
| Plant operations and maintenance | 6,409,729 | 6,703,990 | 4,827,111 | 1,876,879 |
| Student transportation | 3,863,032 | 4,011,230 | 2,743,498 | 1,267,732 |
| Food services | 1,500 | 1,500 | 0 | 1,500 |
| Community services | 60,366 | 60,366 | 55,481 | 4,885 |
| Facilities acquisition and construction | 0 | 0 | 310,889 | (310,889) |
| Contingency | 4,139,162 | 3,245,407 | 0 | 3,245,407 |
| TOTAL EXPENDITURES | 47,397,768 | 50,536,483 | 43,681,085 | 6,855,398 |
| Excess (deficit) of revenues over expenditures | (7,755,021) | (7,870,296) | (450,988) | 7,419,308 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale or comp for loss of assets | 10,000 | 10,000 | 1,300 | (8,700) |
| Operating transfers in | 250,000 | 365,275 | 431,228 | 65,953 |
| Operating transfers out | (91,904) | (91,904) | (91,899) | 5 |
| TOTAL OTHER FINANCING SOURCES (USES) | 168,096 | 283,371 | 340,629 | 57,258 |
| Net Change in Fund Balance | (7,586,925) | (7,586,925) | (110,359) | 7,476,566 |
| Fund Balance, July 1, 2017 | 7,586,925 | 7,586,925 | 8,888,715 | 1,301,790 |
| Fund Balance, June 30, 2018 | \$ 0 | \$ 0 | \$ 8,778,356 | \$ 8,778,356 |

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$11,530,972 from the state are included in both revenues and expenditures in the actual column. While these payments were not required to be budgeted, the district did budget an amount of \$11,530,972 in both revenues and expenditures.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| From Local Sources: | | | | |
| Earnings on Investments | \$ 4,000 | \$ 4,000 | \$ 2,008 | \$ (1,992) |
| Student activities | 0 | 0 | 429,850 | 429,850 |
| Intergovernmental - State | 2,160,643 | 2,467,893 | 2,503,196 | 35,303 |
| Intergovernmental - Indirect federal | 2,396,838 | 2,378,088 | 2,609,961 | 231,873 |
| TOTAL REVENUES | <u>4,561,481</u> | <u>4,849,981</u> | <u>5,545,015</u> | <u>695,034</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 4,167,730 | 4,651,222 | 4,993,350 | (342,128) |
| Support Services: | | | | |
| Student support services | 7,495 | 8,329 | 11,254 | (2,925) |
| Instructional Staff | 150,367 | 135,926 | 177,821 | (41,895) |
| District admin support | 25,522 | 25,522 | 25,300 | 222 |
| Plant operations and maintenance | 0 | 0 | 51,951 | (51,951) |
| Student transportation | 31,041 | 31,040 | 32,468 | (1,428) |
| Community service activities | 271,230 | 271,230 | 271,230 | 0 |
| TOTAL EXPENDITURES | <u>4,653,385</u> | <u>5,123,269</u> | <u>5,563,374</u> | <u>(440,105)</u> |
| Excess (deficit) of revenues over expenditures | <u>(91,904)</u> | <u>(273,288)</u> | <u>(18,359)</u> | <u>254,929</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 91,904 | 91,904 | 91,899 | (5) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>91,904</u> | <u>91,904</u> | <u>91,899</u> | <u>(5)</u> |
| Net Change in Fund Balance | 0 | (181,384) | 73,540 | 254,924 |
| Fund Balance, July 1, 2017 | <u>0</u> | <u>181,384</u> | <u>184,965</u> | <u>3,581</u> |
| Fund Balance, June 30, 2018 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 258,505</u> | <u>\$ 258,505</u> |

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST FOUR FISCAL YEARS***

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|--------------|--------------|
| District's proportion of the net pension liability | 0.219258% | 0.226456% | 0.223148% | 0.224148% |
| District's proportionate share of the net pension liability | \$ 12,833,845 | \$ 11,149,839 | \$ 9,594,322 | \$ 7,272,199 |
| District's covered payroll | \$ 5,339,200 | \$ 5,409,008 | \$ 5,218,944 | \$ 5,142,164 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 240.37% | 206.13% | 183.84% | 141.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 53.32% | 55.50% | 59.97% | 66.80% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

| | |
|--------------------------------|---|
| Valuation date: | June 30, 2016 |
| Experience study: | July 1, 2008 - June 30, 2013 |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Remaining amortization period: | 26 years, closed |
| Asset valuation method: | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year |
| Inflation: | 2.30% |
| Payroll growth: | 2.00% |
| Salary increase: | 3.05%, average |
| Investment rate of return: | 6.25%, net of pension plan investment expense, including inflation |
| Mortality: | For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). |
| Change of benefit terms: | None |
| Change of assumptions: | The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience. |

NOTE: This schedule is based on the last measurement date of the net pension liability.
See Notes to Financial Statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST FIVE FISCAL YEARS***

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 820,440 | \$ 744,101 | \$ 671,798 | \$ 663,060 | \$ 708,102 |
| Contributions in relation to the contractually required contribution | <u>820,440</u> | <u>744,101</u> | <u>671,798</u> | <u>663,060</u> | <u>708,102</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered payroll | \$ 5,666,026 | \$ 5,339,200 | \$ 5,409,008 | \$ 5,218,944 | \$ 5,142,164 |
| Contributions as a percentage of covered payroll | 14.48% | 13.94% | 12.42% | 12.70% | 13.77% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
FISCAL YEAR ENDED JUNE 30, 2018*

| | 2018 |
|---|--------------|
| District's proportion of the net OPEB liability | 0.219258% |
| District's proportionate share of the net OPEB liability | \$ 4,407,836 |
| District's covered payroll | \$ 5,339,200 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 82.56% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 66.80% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

| | |
|--------------------------------|---|
| Valuation date: | June 30, 2016 |
| Experience study: | July 1, 2008 - June 30, 2013 |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Remaining amortization period: | 26 years, closed |
| Asset valuation method: | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year |
| Inflation: | 2.30% |
| Payroll growth: | 2.00% |
| Salary increase: | 3.05%, average |
| Investment rate of return: | 6.25%, net of OPEB plan investment expense, including inflation |
| Mortality: | For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). |
| Healthcare trend rates: | Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65). |
| Change of benefit terms: | None |
| Change of assumptions: | The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The single discount rate for non-hazardous changed from 6.89% to 5.84%. The municipal bond rate increased from 2.92% to 3.56%. Healthcare trend rates were changed as noted above. The assumed rates of retirement, withdrawal, disability, and medical cost inflation were updated to more accurately reflect experience. |

NOTE: This schedule is based on the last measurement date of the net OPEB liability.
See Notes to Financial Statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST TWO FISCAL YEARS***

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| Contractually required contribution | \$ 266,304 | \$ 252,302 |
| Contributions in relation to the contractually required contribution | <u>266,304</u> | <u>252,302</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered payroll | \$ 5,666,026 | \$ 5,339,200 |
| Contributions as a percentage of covered payroll | 4.70% | 4.73% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. District contributions do not include the expected implicit subsidy used in calculating the net OPEB liability.

See Notes to Financial Statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST FOUR FISCAL YEARS***

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|----------------|----------------|
| District's proportion of the net pension liability | 0% | 0% | 0% | 0% |
| District's proportionate share of the net pension liability | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Commonwealth's proportion of the net pension liability associated with the District | 0.644400% | 0.656000% | 0.648800% | 0.631500% |
| Commonwealth's proportionate share of the net pension liability associated with the District | \$ 173,882,200 | \$ 193,521,888 | \$ 150,988,190 | \$ 129,771,800 |
| District's covered payroll | \$ 20,788,163 | \$ 20,946,065 | \$ 20,328,547 | \$ 19,790,966 |
| Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll | 836.45% | 923.91% | 742.74% | 655.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 39.83% | 35.22% | 42.49% | 45.59% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

| | |
|---------------------------------|--|
| Valuation date: | June 30, 2016 |
| Experience study: | July 1, 2010 - June 30, 2015 |
| Actuarial cost method: | Entry age |
| Amortization method: | Level percentage of payroll, open |
| Remaining amortization period: | 30 years |
| Asset valuation method: | 5-year smoothed market |
| Inflation: | 3.00% |
| Salary increase: | 3.5 - 7.3%, including inflation |
| Investment rate of return: | 7.5%, net of pension plan investment expense, including inflation |
| Mortality: | RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females). |
| Municipal Bond Index Rate | 3.56% |
| Single Equivalent Interest Rate | 4.49% |
| Change of benefit terms: | None |
| Change of assumptions: | In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016. |

See Notes to Financial Statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST FIVE FISCAL YEARS***

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 6,408,336 | \$ 3,397,289 | \$ 3,333,202 | \$ 3,262,359 | \$ 2,648,536 |
| District's contributions in relation to the contractually required contribution - federal programs | 230,406 | 213,057 | 210,563 | 204,246 | 200,209 |
| Commonwealth's contributions in relation to the contractually required contribution | <u>6,177,930</u> | <u>3,184,232</u> | <u>3,122,639</u> | <u>3,058,113</u> | <u>2,448,327</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered payroll | \$ 21,643,569 | \$ 20,788,163 | \$ 20,946,065 | \$ 20,328,547 | \$ 19,790,966 |
| Contributions as a percentage of District's covered payroll | 29.61% | 16.34% | 15.91% | 16.05% | 13.38% |

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018*

| | 2018 |
|---|---------------|
| District's proportion of the collective net OPEB liability | 0.341005% |
| District's proportionate share of the collective net OPEB liability | \$ 12,159,000 |
| Commonwealth's proportion of the collective net OPEB liability associated with the District | 0.278553% |
| Commonwealth's proportionate share of the collective net OPEB liability associated with the District | \$ 9,933,000 |
| District's covered payroll | \$ 20,788,163 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 58.49% |
| Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll | 47.78% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 21.18% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of District Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ended June 30, 2017:

| | |
|-----------------------------------|--|
| Valuation date: | June 30, 2016 |
| Experience study: | July 1, 2010 - June 30, 2015 |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Amortization period: | 30 years, open |
| Asset valuation method: | 5-year smoothed value |
| Investment rate of return: | 8.00%, net of OPEB plan investment expense, including inflation |
| Projected salary increases: | 3.50 - 7.20%, including wage inflation |
| Inflation rate: | 3.00% |
| Real wage growth: | 0.50% |
| Wage inflation: | 3.50% |
| Municipal Bond Index Rate: | 3.56% |
| Discount rate | 8.00% |
| Single Equivalent Interest Rate: | 8.00%, net of OPEB plan investment expense, including price inflation |
| Mortality: | Based on the RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females) for the period after service retirement and for dependent beneficiaries. Based on the RP-2000 Disabled Mortality Table set forward two years for males and seven years for females used for the period after disability retirement. |
| Health care cost trends: | |
| Under 65 | 7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023 |
| Ages 65 and older | 5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020 |
| Medicare Part B premiums | 1.02% for FY 2017 with an ultimate rate of 5.00% by 2029 |
| Under age 65 claims | The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). |
| Change of benefit terms: | With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. |
| Change of assumptions: | None |
| See Notes to Financial Statements | |

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018***

| | <u>2018</u> |
|---|--------------------|
| Contractually required contribution | \$ 1,083,628 |
| District's contributions in relation to the contractually required contribution - | 606,389 |
| Commonwealth's contributions in relation to the contractually required contribution | <u>477,239</u> |
| Contribution deficiency (excess) | <u><u>\$ 0</u></u> |
| District's covered payroll | \$ 21,643,569 |
| Contributions as a percentage of District's covered payroll | 5.01% |

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018*

| | <u>2018</u> |
|---|---------------|
| District's proportion of the collective net OPEB liability | 0% |
| District's proportionate share of the collective net OPEB liability | \$ 0 |
| Commonwealth's proportion of the collective net OPEB liability associated with the District | 0.605441% |
| Commonwealth's proportionate share of the collective net OPEB liability associated with the District | \$ 133,000 |
| District's covered payroll | \$ 20,788,163 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 0.00% |
| Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll | 0.64% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 79.99% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

| | |
|--------------------------------------|--|
| Valuation date: | June 30, 2016 |
| Experience study: | July 1, 2010 - June 30, 2015 |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Amortization period: | 30 years, open |
| Asset valuation method: | Market value |
| Annual money weighted rate of return | 1.02%, net of investment expense |
| Projected salary increases: | 3.50 - 7.20%, including wage inflation |
| Inflation rate: | 3.00% |
| Real wage growth: | 0.50% |
| Wage inflation: | 3.50% |
| Discount rate | 7.50% |
| Change of benefit terms: | None |
| Change of assumptions: | None |

See Notes to Financial Statements

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018***

| | <u>2018</u> |
|---|--------------------|
| Contractually required contribution | \$ 5,842 |
| District's contributions in relation to the contractually required contribution - | 0 |
| Commonwealth's contributions in relation to the contractually required contribution | <u>5,842</u> |
| Contribution deficiency (excess) | <u><u>\$ 0</u></u> |
| District's covered payroll | \$ 21,643,569 |
| Contributions as a percentage of District's covered payroll | 0.03% |

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| | SEEK Capital Outlay Fund | FSPK Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------------|---------------------|-------------------------|--|
| ASSETS AND RESOURCES: | | | | |
| Cash and cash equivalents | \$ 0 | \$ 1,088,338 | \$ 36,957 | \$ 1,125,295 |
| TOTAL ASSETS AND RESOURCES | <u>\$ 0</u> | <u>\$ 1,088,338</u> | <u>\$ 36,957</u> | <u>\$ 1,125,295</u> |
| LIABILITIES AND FUND BALANCE: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| TOTAL LIABILITIES | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| EQUITY AND FUND BALANCES: | | | | |
| Restricted | | | | |
| SFCC escrow | 0 | 99,860 | 0 | 99,860 |
| Debt service | 0 | 0 | 36,957 | 36,957 |
| Other | 0 | 988,478 | 0 | 988,478 |
| TOTAL FUND BALANCES | <u>0</u> | <u>1,088,338</u> | <u>36,957</u> | <u>1,125,295</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 0</u> | <u>\$ 1,088,338</u> | <u>\$ 36,957</u> | <u>\$ 1,125,295</u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

| | SEEK Capital Outlay Fund | FSPK Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|-----------------------------------|---------------------|-------------------------|--|
| REVENUES: | | | | |
| From Local Sources: | | | | |
| Taxes: | | | | |
| Property | \$ 0 | \$ 2,517,464 | \$ 0 | \$ 2,517,464 |
| Earnings on Investments | 0 | 0 | 658 | 658 |
| Intergovernmental - State | 437,613 | 909,048 | 440,916 | 1,787,577 |
| TOTAL REVENUES | <u>437,613</u> | <u>3,426,512</u> | <u>441,574</u> | <u>4,305,699</u> |
| EXPENDITURES: | | | | |
| Debt service | 0 | 0 | 2,885,335 | 2,885,335 |
| TOTAL EXPENDITURES | <u>0</u> | <u>0</u> | <u>2,885,335</u> | <u>2,885,335</u> |
| Excess (deficit) of revenues over expenditures | <u>437,613</u> | <u>3,426,512</u> | <u>(2,443,761)</u> | <u>1,420,364</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 0 | 0 | 2,444,419 | 2,444,419 |
| Operating transfers out | (437,613) | (3,830,289) | 0 | (4,267,902) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(437,613)</u> | <u>(3,830,289)</u> | <u>2,444,419</u> | <u>(1,823,483)</u> |
| Net Change in Fund Balance | 0 | (403,777) | 658 | (403,119) |
| Fund Balance, July 1, 2017 | 0 | 1,492,115 | 36,299 | 1,528,414 |
| Fund Balance, June 30, 2018 | <u>\$ 0</u> | <u>\$ 1,088,338</u> | <u>\$ 36,957</u> | <u>\$ 1,125,295</u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2018

| | 2004 BONDS FUND | 2008 BONDS FUND | 2010 BONDS FUND | 2011 BONDS FUND | 2014 BONDS FUND | 2015 BONDS FUND | 2016 BONDS FUND | 2018 BONDS FUND | NOW ACCOUNT | Totals Debt service Fund |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|--------------------------------|
| REVENUES: | | | | | | | | | | |
| From local sources: | | | | | | | | | | |
| Earnings on investments | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12 | \$ 207 | \$ 67 | \$ 98 | \$ 274 | \$ 658 |
| Intergovernmental - State | 38,633 | 19,545 | 35,811 | 13,138 | 0 | 196,679 | 137,110 | 0 | 0 | 440,916 |
| TOTAL REVENUES | 38,633 | 19,545 | 35,811 | 13,138 | 12 | 196,886 | 137,177 | 98 | 274 | 441,574 |
| EXPENDITURES: | | | | | | | | | | |
| Debt Service: | | | | | | | | | | |
| Principal | 705,000 | 455,000 | 22,000 | 135,000 | 20,000 | 285,000 | 125,000 | 0 | 0 | 1,747,000 |
| Interest | 31,725 | 15,015 | 13,811 | 212,438 | 32,531 | 753,390 | 79,425 | 0 | 0 | 1,138,335 |
| TOTAL EXPENDITURES | 736,725 | 470,015 | 35,811 | 347,438 | 52,531 | 1,038,390 | 204,425 | 0 | 0 | 2,885,335 |
| Excess (deficit) of revenues over expenditures | (698,092) | (450,470) | 0 | (334,300) | (52,519) | (841,504) | (67,248) | 98 | 274 | (2,443,761) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | |
| Operating transfers in | 698,092 | 450,470 | 0 | 334,300 | 52,531 | 841,711 | 67,315 | 0 | 0 | 2,444,419 |
| TOTAL OTHER FINANCING SOURCES (USES) | 698,092 | 450,470 | 0 | 334,300 | 52,531 | 841,711 | 67,315 | 0 | 0 | 2,444,419 |
| Net Change in Fund Balance | 0 | 0 | 0 | 0 | 12 | 207 | 67 | 98 | 274 | 658 |
| Fund balance July 1, 2017 | 547 | 0 | 0 | 0 | 1 | 37 | 4,898 | 0 | 30,816 | 36,299 |
| Fund balance June 30, 2018 | <u>\$ 547</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 13</u> | <u>\$ 244</u> | <u>\$ 4,965</u> | <u>\$ 98</u> | <u>\$ 31,090</u> | <u>\$ 36,957</u> |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET-SCHOOL ACTIVITY FUNDS
June 30, 2018

| | Benton Elementary | Calvert Elementary | Central Elementary | Jonathan Elementary | Sharpe Elementary |
|-----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 19,115 | \$ 14,707 | \$ 15,285 | \$ 2,691 | \$ 7,181 |
| Accounts Receivable | <u>20</u> | <u>0</u> | <u>13</u> | <u>0</u> | <u>0</u> |
| TOTAL ASSETS | <u><u>\$ 19,135</u></u> | <u><u>\$ 14,707</u></u> | <u><u>\$ 15,298</u></u> | <u><u>\$ 2,691</u></u> | <u><u>\$ 7,181</u></u> |
| LIABILITIES: | | | | | |
| Accounts Payable | \$ 1,626 | \$ 0 | \$ 86 | \$ 0 | \$ 677 |
| Due to Governmental Funds | 0 | 557 | 0 | 0 | 0 |
| Due to Student Groups | <u>17,509</u> | <u>14,150</u> | <u>15,212</u> | <u>2,691</u> | <u>6,504</u> |
| TOTAL LIABILITIES | <u><u>\$ 19,135</u></u> | <u><u>\$ 14,707</u></u> | <u><u>\$ 15,298</u></u> | <u><u>\$ 2,691</u></u> | <u><u>\$ 7,181</u></u> |
| NET POSITION HELD IN TRUST | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> |

See independent auditor's report and accompanying notes to financial statements

| South Elementary | North Middle | South Middle | Marshall County High School | Marshall County Technical Center | Totals (Memorandum Only) |
|-------------------------|----------------------|------------------------|--------------------------------------|---|--------------------------------|
| \$ 18,830 0 | \$ 30,217 0 | \$ 25,452 0 | \$ 218,864 2,605 | \$ 47,315 0 | \$ 399,657 2,638 |
| <u>\$ 18,830</u> | <u>\$ 30,217</u> | <u>\$ 25,452</u> | <u>\$ 221,469</u> | <u>\$ 47,315</u> | <u>\$ 402,295</u> |
| \$ 1,872 0 16,958 | \$ 64 0 30,153 | \$ 20 155 25,277 | \$ 7,689 1,541 212,239 | \$ 0 0 47,315 | \$ 12,034 2,253 388,008 |
| <u>\$ 18,830</u> | <u>\$ 30,217</u> | <u>\$ 25,452</u> | <u>\$ 221,469</u> | <u>\$ 47,315</u> | <u>\$ 402,295</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2018

| | Benton Elementary | Calvert Elementary | Central Elementary | Jonathan Elementary | Sharpe Elementary |
|--|----------------------|-----------------------|-----------------------|------------------------|----------------------|
| REVENUES: | | | | | |
| From local sources: | | | | | |
| Earnings on Investments | \$ 470 | \$ 283 | \$ 271 | \$ 119 | \$ 171 |
| Student activities | 64,734 | 36,774 | 68,250 | 31,122 | 47,854 |
| Total Revenues | 65,204 | 37,057 | 68,521 | 31,241 | 48,025 |
| EXPENDITURES | | | | | |
| Student Activities | 66,918 | 35,643 | 67,107 | 33,226 | 45,224 |
| Total expenditures | 66,918 | 35,643 | 67,107 | 33,226 | 45,224 |
| Net Change in Due to Student Groups | (1,714) | 1,414 | 1,414 | (1,985) | 2,801 |
| Due to student groups, July 1, 2017 | 19,223 | 12,736 | 13,798 | 4,676 | 3,703 |
| Due to student groups, June 30, 2018 | <u>\$ 17,509</u> | <u>\$ 14,150</u> | <u>\$ 15,212</u> | <u>\$ 2,691</u> | <u>\$ 6,504</u> |

See independent auditor's report and accompanying notes to financial statements

| South Elementary | North Middle | South Middle | Marshall County High School | Marshall County Technical Center | Totals (Memorandum only) |
|---------------------|-----------------|-----------------|--------------------------------------|---|--------------------------------|
| \$ 400 | \$ 671 | \$ 552 | \$ 3,987 | \$ 842 | \$ 7,766 |
| 36,739 | 133,325 | 133,685 | 639,663 | 20,576 | 1,212,722 |
| 37,139 | 133,996 | 134,237 | 643,650 | 21,418 | 1,220,488 |
| 39,629 | 123,485 | 120,183 | 664,243 | 27,276 | 1,222,934 |
| 39,629 | 123,485 | 120,183 | 664,243 | 27,276 | 1,222,934 |
| (2,490) | 10,511 | 14,054 | (20,593) | (5,858) | (2,446) |
| 19,448 | 19,642 | 11,223 | 232,832 | 53,173 | 390,454 |
| \$ 16,958 | \$ 30,153 | \$ 25,277 | \$ 212,239 | \$ 47,315 | \$ 388,008 |

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
MARSHALL COUNTY HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2018

| | Cash Balance | Receipts | | Disbursements | |
|------------------------|---------------------|-----------------|---------------|----------------------|---------------|
| | July 1, 2017 | Actual | Budget | Actual | Budget |
| Student Fees | \$ 30.00 | \$ 37,436.44 | \$ 36,500.00 | \$ 37,466.44 | \$ 36,500.00 |
| Interest | 41,124.61 | 6,333.02 | 3,600.00 | 41,673.43 | 12,000.00 |
| MC Mason Benefit Fund | 465.59 | 0.00 | 500.00 | 334.00 | 500.00 |
| Student Activity | 1,401.65 | 8,810.34 | 5,200.00 | 5,590.29 | 4,350.00 |
| Student Benefit Fund | 498.13 | 8,156.73 | 1,500.00 | 6,198.29 | 1,500.00 |
| Student ID Fund | 0.00 | 46.00 | 200.00 | 46.00 | 200.00 |
| Book Fees | 0.00 | 1,405.15 | 1,500.00 | 1,405.15 | 1,500.00 |
| Parking | 0.00 | 870.00 | 1,200.00 | 870.00 | 850.00 |
| Academic | 4,124.74 | 2,500.00 | 700.00 | 1,619.42 | 4,000.00 |
| Administration/Staff | 3,874.00 | 913.16 | 0.00 | 1,164.71 | 2,400.00 |
| Beta/NHS Club | 1,797.33 | 4,943.74 | 2,355.00 | 3,570.56 | 1,480.00 |
| Marshall Café/Culinary | 0.00 | 37,056.60 | 6,200.00 | 29,005.19 | 2,025.00 |
| Card Mania Club | 108.55 | 33.00 | 68.00 | 0.00 | 0.00 |
| Club Interact | 300.60 | 0.00 | 0.00 | 28.25 | 20.00 |
| Journalism | 667.78 | 0.00 | 200.00 | 0.00 | 130.00 |
| Drama Club | 11,122.21 | 9,257.20 | 11,600.00 | 7,595.33 | 5,580.00 |
| FCA | 25.00 | 513.31 | 0.00 | 0.00 | 15.00 |
| FBLA | 1,405.66 | 5,944.95 | 6,700.00 | 5,662.73 | 5,400.00 |
| Functional Living | 685.93 | 1,290.65 | 0.00 | 1,147.58 | 300.00 |
| FFA | 8,484.11 | 35,432.73 | 18,600.00 | 36,058.06 | 18,600.00 |
| French Club | 113.71 | 0.00 | 118.20 | 0.00 | 70.00 |
| Gold Club | 0.00 | 859.24 | 0.00 | 90.07 | 0.00 |
| The Inventors Club | 0.00 | 100.39 | 0.00 | 100.39 | 0.00 |
| Marshall Girls | 5,706.10 | 13,384.32 | 2,400.00 | 12,435.32 | 8,450.00 |
| Marshall Militia (Pep) | 737.87 | 11,102.00 | 9,500.00 | 9,184.33 | 8,750.00 |
| Robotics | 1,600.46 | 2,037.80 | 1,300.00 | 2,057.41 | 920.00 |
| Science Olympiad | 345.09 | 1,884.74 | 200.00 | 2,104.07 | 200.00 |
| Spanish Club | 727.94 | 630.55 | 460.00 | 683.55 | 450.00 |
| Student Council | 20.84 | 298.16 | 150.00 | 319.00 | 150.00 |
| TSA | 337.06 | 0.00 | 100.00 | 0.00 | 100.00 |
| Agriculture | 0.00 | 2,270.40 | 2,500.00 | 2,270.40 | 2,500.00 |
| Technology Fund | 0.00 | 0.00 | 150.00 | 0.00 | 0.00 |
| Art II | 0.00 | 2,777.00 | 3,600.00 | 2,777.00 | 3,600.00 |
| Art I | 0.00 | 2,850.00 | 2,600.00 | 2,850.00 | 2,600.00 |
| The Bass Fishing Team | 1,162.51 | 2,111.50 | 1,400.00 | 2,910.88 | 500.00 |
| Band | 0.00 | 0.00 | 500.00 | 0.00 | 500.00 |
| History/Govt. Trip | 1,383.30 | 19,746.07 | 14,686.00 | 18,254.61 | 14,650.00 |
| FCCLA | 14,519.16 | 27,017.53 | 7,064.70 | 31,091.55 | 7,013.23 |
| Jazz Ensemble | 0.00 | 4,691.00 | 750.00 | 4,413.77 | 600.00 |
| Improv Team | 844.82 | 0.00 | 800.00 | 201.10 | 150.00 |
| JCA | 253.30 | 0.00 | 40.00 | 0.00 | 60.00 |
| Library Club | 486.24 | 0.00 | 800.00 | 486.24 | 600.00 |
| Library Dept. | 0.00 | 1,157.79 | 800.00 | 1,157.79 | 600.00 |
| Leadership Dynamics | 181.10 | 4,408.77 | 1,280.00 | 3,389.70 | 1,180.00 |
| Speech Team | 0.00 | 8,140.00 | 6,187.40 | 7,239.13 | 10,762.52 |
| MC Special Olympics | 375.91 | 251.00 | 350.00 | 0.00 | 200.00 |
| Music/Choir | 554.50 | 2,575.15 | 3,500.00 | 1,663.03 | 3,000.00 |
| PBL-Project Base | 2.10 | 0.00 | 0.00 | 2.10 | 0.00 |
| Mountain Biking Club | 343.44 | 3,500.00 | 6,500.00 | 3,680.00 | 6,500.00 |
| Trap Shooting Club | 914.33 | 11,546.75 | 3,500.00 | 9,879.11 | 3,400.00 |
| Real World Publishing | 0.00 | 1,235.45 | 1,220.00 | 1,235.45 | 1,530.00 |
| Archery | 35.23 | 3,124.72 | 1,000.00 | 3,159.95 | 1,000.00 |
| Sball Maint. Account | 880.31 | 0.00 | 0.00 | 880.31 | 0.00 |
| Cheer Regional | 2,977.76 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sub-total this page | 110,618.97 | 288,643.35 | 170,079.30 | 303,951.69 | 177,385.75 |

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
MARSHALL COUNTY HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2018

| | Cash Balance July 1, 2017 | Receipts | | Disbursements | |
|--------------------------------|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Budget | Actual | Budget |
| Bball District | \$ 11,946.23 | \$ 5,162.39 | \$ 0.00 | \$ 5,125.56 | \$ 0.00 |
| Athletics | 12,957.34 | 133,268.69 | 112,250.00 | 144,754.87 | 82,750.00 |
| Athletics-Tennis (A) | 1,111.01 | 1,640.00 | 500.00 | 530.00 | 300.00 |
| Athletics-Boys Basketball (A) | 2,774.29 | 12,940.00 | 10,700.00 | 15,714.29 | 8,100.00 |
| Athletics-Volleyball (A) | 1,524.60 | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| Athletics-Girls Basketball (A) | 4,807.25 | 8,218.00 | 13,600.00 | 9,817.93 | 7,000.00 |
| Athletics-Boys Golf (A) | 254.76 | 2,595.00 | 1,800.00 | 2,570.81 | 925.00 |
| Athletics-Football (A) | 228.04 | 4,100.00 | 3,800.00 | 680.00 | 3,800.00 |
| Athletics-Baseball (A) | 0.00 | 6,230.00 | 1,500.00 | 4,429.00 | 1,500.00 |
| Athletics - Girls Soccer (A) | 5,620.81 | 10,383.52 | 11,000.00 | 14,541.44 | 12,700.00 |
| Athletics-Boys Soccer (A) | 1,324.41 | 1,905.00 | 3,500.00 | 1,944.21 | 3,500.00 |
| Athletics-Track (A) | 1,435.85 | 2,017.00 | 198.00 | 3,221.68 | 0.00 |
| Athletics - Softball (A) | 2,564.64 | 3,130.31 | 2,450.00 | 1,536.08 | 1,550.00 |
| Athletics-Cross Country (A) | 3,255.02 | 405.00 | 0.00 | 0.00 | 2,889.02 |
| Athletics - Hoop Fest | 13,148.17 | 106,980.46 | 71,275.00 | 120,128.63 | 59,300.00 |
| Athletics-B/G District Soccer | 5,210.92 | 7,223.90 | 1,730.00 | 6,130.12 | 1,085.00 |
| Athletics-Soccer Subsectional | 1,106.55 | 1,022.50 | 450.00 | 0.00 | 625.00 |
| Athletics-Girls Golf (A) | 498.38 | 1,300.00 | 2,000.00 | 1,633.35 | 2,000.00 |
| Athletics-Swim Fund (A) | 0.00 | 0.00 | 625.00 | 0.00 | 525.00 |
| Athletics - Baseball (B) | 418.06 | 2,200.00 | 1,800.00 | 2,225.50 | 1,800.00 |
| Athletics-Girls Basketball (B) | 201.41 | 13,476.97 | 10,700.00 | 13,678.38 | 10,700.00 |
| Athletics-Boys Basketball (B) | 0.00 | 20,277.70 | 10,700.00 | 20,277.70 | 10,700.00 |
| Athletics-Football (B) | 0.00 | 19,950.00 | 19,950.00 | 19,668.91 | 19,950.00 |
| Athletics - Golf (B) | 0.00 | 1,265.00 | 750.00 | 1,265.00 | 750.00 |
| Athletics-Girls Golf (B) | 0.00 | 895.00 | 700.00 | 895.00 | 700.00 |
| Athletics - Boys Soccer (B) | 194.11 | 3,729.16 | 3,500.00 | 3,923.27 | 3,500.00 |
| Athletics - Girls Soccer (B) | 0.00 | 5,196.07 | 8,000.00 | 5,196.07 | 8,000.00 |
| Athletics - Softball (B) | 0.00 | 3,586.08 | 1,750.00 | 3,359.58 | 1,750.00 |
| Athletics - Swim Team (B) | 0.00 | 1,085.00 | 1,000.00 | 1,085.00 | 1,000.00 |
| Athletics - Tennis (B) | 6.47 | 700.00 | 700.00 | 564.88 | 700.00 |
| Athletics - Volleyball (B) | 1,256.44 | 2,400.00 | 2,400.00 | 395.00 | 3,550.00 |
| Athletics-Track (B) | 6.50 | 3,585.78 | 3,000.00 | 3,592.28 | 3,000.00 |
| Athletics - Cross Country (B) | 660.27 | 2,200.00 | 2,200.00 | 1,496.41 | 2,200.00 |
| Cheerleaders | 8,171.98 | 21,430.61 | 17,950.00 | 16,710.99 | 14,300.00 |
| Athletics - Middle School | 1,841.00 | 0.00 | 1,200.00 | 546.66 | 1,625.00 |
| Athletics - MS Football | 0.00 | 7,660.00 | 7,660.00 | 7,660.00 | 7,660.00 |
| Athletics - MS Cross Country | 1,085.55 | 1,320.00 | 0.00 | 2,405.55 | 0.00 |
| Junior/Senior Class | 23,142.02 | 5,630.00 | 11,000.00 | 6,726.10 | 8,400.00 |
| Teenage Republicans | 28.00 | 0.00 | 200.00 | 0.00 | 200.00 |
| The Y Club | 1,107.98 | 9,320.00 | 9,180.00 | 10,118.10 | 8,180.00 |
| Annual | 1,184.47 | 20,775.00 | 21,300.00 | 5,385.11 | 24,000.00 |
| Guidance | 6,583.22 | 770.00 | 1,400.00 | 1,124.60 | 1,750.00 |
| Testing | 778.54 | 23,693.24 | 0.00 | 22,935.00 | 0.00 |
| Fine Arts Fund | 9,599.16 | 4,286.00 | 3,000.00 | 3,439.82 | 5,000.00 |
| DAF Instruction | 0.00 | 111,234.94 | 0.00 | 111,234.94 | 0.00 |
| DAF Athletics | 0.00 | 7,905.32 | 0.00 | 7,905.32 | 0.00 |
| DAF Prof Development | 0.00 | 103.56 | 0.00 | 103.56 | 0.00 |
| DAF Library | 0.00 | 1,157.79 | 0.00 | 1,157.79 | 0.00 |
| Subtotal this page | 126,033.45 | 605,354.99 | 378,418.00 | 607,834.49 | 327,964.02 |
| Subtotal from previous page | 110,618.97 | 288,643.35 | 170,079.30 | 303,951.69 | 177,385.75 |
| Total Central Fund | 236,652.42 | 893,998.34 | 548,497.30 | 911,786.18 | 505,349.77 |
| Less: Interfund Transfers | 0.00 | 246,677.88 | 0.00 | 246,677.88 | 0.00 |
| Total | <u>\$ 236,652.42</u> | <u>\$ 647,320.46</u> | <u>\$ 548,497.30</u> | <u>\$ 665,108.30</u> | <u>\$ 505,349.77</u> |

See independent auditor's report and accompanying notes to financial statements

| | Cash Balance June 30, 2018 | Accounts Receivable | Accounts Payable | Due to June 30, 2018 |
|------------------------|---------------------------------------|--------------------------------|-----------------------------|---------------------------------|
| Student Fees | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Interest | 5,784.20 | 0.00 | 0.00 | 5,784.20 |
| MC Mason Benefit Fund | 131.59 | 0.00 | 0.00 | 131.59 |
| Student Activity | 4,621.70 | 0.00 | 0.00 | 4,621.70 |
| Student Benefit Fund | 2,456.57 | 0.00 | 0.00 | 2,456.57 |
| Student ID Fund | 0.00 | 0.00 | 0.00 | 0.00 |
| Book Fees | 0.00 | 0.00 | 0.00 | 0.00 |
| Parking | 0.00 | 0.00 | 0.00 | 0.00 |
| Academic | 5,005.32 | 0.00 | 0.00 | 5,005.32 |
| Administration/Staff | 3,622.45 | 0.00 | 0.00 | 3,622.45 |
| Beta/NHS Club | 3,170.51 | 0.00 | 0.00 | 3,170.51 |
| Marshall Café/Culinary | 8,051.41 | 0.00 | 0.00 | 8,051.41 |
| Card Mania Club | 141.55 | 0.00 | 0.00 | 141.55 |
| Club Interact | 272.35 | 0.00 | 0.00 | 272.35 |
| Journalism | 667.78 | 0.00 | 0.00 | 667.78 |
| Drama Club | 12,784.08 | 0.00 | 0.00 | 12,784.08 |
| FCA | 538.31 | 0.00 | 0.00 | 538.31 |
| FBLA | 1,687.88 | 0.00 | 0.00 | 1,687.88 |
| Functional Living | 829.00 | 0.00 | 0.00 | 829.00 |
| FFA | 7,858.78 | 0.00 | 3,074.18 | 4,784.60 |
| French Club | 113.71 | 0.00 | 0.00 | 113.71 |
| Gold Club | 769.17 | 0.00 | 0.00 | 769.17 |
| The Inventors Club | 0.00 | 0.00 | 0.00 | 0.00 |
| Marshall Girls | 6,655.10 | 0.00 | 0.00 | 6,655.10 |
| Marshall Militia (Pep) | 2,655.54 | 0.00 | 0.00 | 2,655.54 |
| Robotics | 1,580.85 | 0.00 | 0.00 | 1,580.85 |
| Science Olympiad | 125.76 | 0.00 | 0.00 | 125.76 |
| Spanish Club | 674.94 | 0.00 | 0.00 | 674.94 |
| Student Council | 0.00 | 0.00 | 0.00 | 0.00 |
| TSA | 337.06 | 0.00 | 0.00 | 337.06 |
| Agriculture | 0.00 | 0.00 | 0.00 | 0.00 |
| Technology Fund | 0.00 | 0.00 | 0.00 | 0.00 |
| Art II | 0.00 | 0.00 | 0.00 | 0.00 |
| Art I | 0.00 | 0.00 | 0.00 | 0.00 |
| The Bass Fishing Team | 363.13 | 0.00 | 0.00 | 363.13 |
| Band | 0.00 | 0.00 | 0.00 | 0.00 |
| History/Govt. Trip | 2,874.76 | 0.00 | 0.00 | 2,874.76 |
| FCCLA | 10,445.14 | 0.00 | 0.00 | 10,445.14 |
| Jazz Ensemble | 277.23 | 264.90 | 0.00 | 542.13 |
| Improv Team | 643.72 | 0.00 | 0.00 | 643.72 |
| JCA | 253.30 | 0.00 | 0.00 | 253.30 |
| Library Club | 0.00 | 0.00 | 0.00 | 0.00 |
| Library Dept. | 0.00 | 193.89 | 0.00 | 193.89 |
| Leadership Dynamics | 1,200.17 | 0.00 | 0.00 | 1,200.17 |
| Speech Team | 900.87 | 0.00 | 551.63 | 349.24 |
| MC Special Olympics | 626.91 | 0.00 | 0.00 | 626.91 |
| Music/Choir | 1,466.62 | 0.00 | 0.00 | 1,466.62 |
| PBL-Project Base | 0.00 | 0.00 | 0.00 | 0.00 |
| Mountain Biking Club | 163.44 | 0.00 | 0.00 | 163.44 |
| Trap Shooting Club | 2,581.97 | 0.00 | 0.00 | 2,581.97 |
| Real World Publishing | 0.00 | 0.00 | 0.00 | 0.00 |
| Archery | 0.00 | 0.00 | 0.00 | 0.00 |
| Sball Maint. Account | 0.00 | 0.00 | 0.00 | 0.00 |
| Cheer Regional | 2,977.76 | 0.00 | 0.00 | 2,977.76 |
| Sub-total this page | 95,310.63 | 458.79 | 3,625.81 | 92,143.61 |

| | Cash Balance June 30, 2018 | Accounts Receivable | Accounts Payable | Due to June 30, 2018 |
|--------------------------------|---------------------------------------|--------------------------------|-----------------------------|---------------------------------|
| Bball District | \$ 11,983.06 | \$ 1,452.00 | \$ 4,638.65 | \$ 8,796.41 |
| Athletics | 1,471.16 | 193.88 | 0.00 | 1,665.04 |
| Athletics-Tennis (A) | 2,221.01 | 0.00 | 0.00 | 2,221.01 |
| Athletics-Boys Basketball (A) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics-Volleyball (A) | 2,524.60 | 0.00 | 0.00 | 2,524.60 |
| Athletics-Girls Basketball (A) | 3,207.32 | 0.00 | 965.53 | 2,241.79 |
| Athletics-Boys Golf (A) | 278.95 | 0.00 | 0.00 | 278.95 |
| Athletics-Football (A) | 3,648.04 | 0.00 | 0.00 | 3,648.04 |
| Athletics-Baseball (A) | 1,801.00 | 0.00 | 0.00 | 1,801.00 |
| Athletics - Girls Soccer (A) | 1,462.89 | 0.00 | 0.00 | 1,462.89 |
| Athletics-Boys Soccer (A) | 1,285.20 | 0.00 | 0.00 | 1,285.20 |
| Athletics-Track (A) | 231.17 | 0.00 | 0.00 | 231.17 |
| Athletics - Softball (A) | 4,158.87 | 0.00 | 0.00 | 4,158.87 |
| Athletics-Cross Country (A) | 3,660.02 | 0.00 | 0.00 | 3,660.02 |
| Athletics - Hoop Fest | 0.00 | 500.00 | 0.00 | 500.00 |
| Athletics-B/G District Soccer | 6,304.70 | 0.00 | 0.00 | 6,304.70 |
| Athletics-Soccer Subsectional | 2,129.05 | 0.00 | 0.00 | 2,129.05 |
| Athletics-Girls Golf (A) | 165.03 | 0.00 | 0.00 | 165.03 |
| Athletics-Swim Fund (A) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Baseball (B) | 392.56 | 0.00 | 0.00 | 392.56 |
| Athletics-Girls Basketball (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics-Boys Basketball (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics-Football (B) | 281.09 | 0.00 | 0.00 | 281.09 |
| Athletics - Golf (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics-Girls Golf (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Boys Soccer (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Girls Soccer (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Softball (B) | 226.50 | 0.00 | 0.00 | 226.50 |
| Athletics - Swim Team (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Tennis (B) | 141.59 | 0.00 | 0.00 | 141.59 |
| Athletics - Volleyball (B) | 3,261.44 | 0.00 | 0.00 | 3,261.44 |
| Athletics-Track (B) | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - Cross Country (B) | 1,363.86 | 0.00 | 0.00 | 1,363.86 |
| Cheerleaders | 12,891.60 | 0.00 | 0.00 | 12,891.60 |
| Athletics - Middle School | 1,294.34 | 0.00 | 0.00 | 1,294.34 |
| Athletics - MS Football | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletics - MS Cross Country | 0.00 | 0.00 | 0.00 | 0.00 |
| Junior/Senior Class | 22,045.92 | 0.00 | 0.00 | 22,045.92 |
| Teenage Republicans | 28.00 | 0.00 | 0.00 | 28.00 |
| The Y Club | 309.88 | 0.00 | 0.00 | 309.88 |
| Annual | 16,574.36 | 0.00 | 0.00 | 16,574.36 |
| Guidance | 6,228.62 | 0.00 | 0.00 | 6,228.62 |
| Testing | 1,536.78 | 0.00 | 0.00 | 1,536.78 |
| Fine Arts Fund | 10,445.34 | 0.00 | 0.00 | 10,445.34 |
| DAF Instruction | 0.00 | 0.00 | 0.00 | 0.00 |
| DAF Athletics | 0.00 | 0.00 | 0.00 | 0.00 |
| DAF Prof Development | 0.00 | 0.00 | 0.00 | 0.00 |
| DAF Library | 0.00 | 0.00 | 0.00 | 0.00 |
| Subtotal this page | 123,553.95 | 2,145.88 | 5,604.18 | 120,095.65 |
| Subtotal from previous page | 95,310.63 | 458.79 | 3,625.81 | 92,143.61 |
| Total Central Fund | 218,864.58 | 2,604.67 | 9,229.99 | 212,239.26 |
| Less:Interfund Transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | <u>\$ 218,864.58</u> | <u>\$ 2,604.67</u> | <u>\$ 9,229.99</u> | <u>\$ 212,239.26</u> |

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2018

| | Benton High Alumni | A & JD Bohannon | Don Buffington Memorial | Lola Collier | Coy Creason Memorial | John Draffen | Genoa Filbeck | Robert Glick Memorial | William Heath | Charles Hensley | J. Burnett Holland |
|-------------------------------|--------------------------|--------------------|-------------------------------|------------------|----------------------------|-----------------|------------------|-----------------------------|------------------|--------------------|-----------------------|
| ASSETS: | | | | | | | | | | | |
| Cash and cash equivalents | \$ 3,770 | \$ 7,707 | \$ 64,301 | \$ 28,302 | \$ 3,809 | \$ 0 | \$ 24,690 | \$ 602 | \$ 32,855 | \$ 3,232 | \$ 43,222 |
| Interest receivable | 0 | 0 | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | <u>\$ 3,770</u> | <u>\$ 7,707</u> | <u>\$ 64,381</u> | <u>\$ 28,302</u> | <u>\$ 3,809</u> | <u>\$ 0</u> | <u>\$ 24,690</u> | <u>\$ 602</u> | <u>\$ 32,855</u> | <u>\$ 3,232</u> | <u>\$ 43,222</u> |
| NET POSITION HELD IN TRUST | <u>\$ 3,770</u> | <u>\$ 7,707</u> | <u>\$ 64,381</u> | <u>\$ 28,302</u> | <u>\$ 3,809</u> | <u>\$ 0</u> | <u>\$ 24,690</u> | <u>\$ 602</u> | <u>\$ 32,855</u> | <u>\$ 3,232</u> | <u>\$ 43,222</u> |

See independent auditor's report and accompanying notes to financial statements

| <u>Holland Rose</u> | <u>W. & L. Holland Memorial</u> | <u>Landon Lovett Memorial</u> | <u>Steve Martin</u> | <u>Anthony McCarty</u> | <u>Mary Alice Newton</u> | <u>Andy Riley</u> | <u>Charlie & Cora Walker</u> | <u>North Marshall Alumni</u> | <u>Buddy Poe Memorial</u> | <u>Dasha Roberts Memorial</u> | <u>Reed Vocational Technical</u> | <u>Totals (Memorandum Only)</u> |
|-------------------------|---|---------------------------------------|-------------------------|----------------------------|----------------------------------|-----------------------|--|--------------------------------------|-----------------------------------|---------------------------------------|--|---|
| \$ 3,217 0 | \$ 107,031 0 | \$ 12,817 0 | \$ 6,526 0 | \$ 0 0 | \$ 549 0 | \$ 7,332 0 | \$ 5,759 0 | \$ 1,176 0 | \$ 4,932 0 | \$ 1,645 0 | \$ 0 0 | \$ 363,474 80 |
| <u>\$ 3,217</u> | <u>\$ 107,031</u> | <u>\$ 12,817</u> | <u>\$ 6,526</u> | <u>\$ 0</u> | <u>\$ 549</u> | <u>\$ 7,332</u> | <u>\$ 5,759</u> | <u>\$ 1,176</u> | <u>\$ 4,932</u> | <u>\$ 1,645</u> | <u>\$ 0</u> | <u>\$ 363,554</u> |
| <u>\$ 3,217</u> | <u>\$ 107,031</u> | <u>\$ 12,817</u> | <u>\$ 6,526</u> | <u>\$ 0</u> | <u>\$ 549</u> | <u>\$ 7,332</u> | <u>\$ 5,759</u> | <u>\$ 1,176</u> | <u>\$ 4,932</u> | <u>\$ 1,645</u> | <u>\$ 0</u> | <u>\$ 363,554</u> |

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2018

| | Benton High Alumni | A & JD Bohannon | Don Buffington Memorial | Lola Collier | Coy Creason Memorial | John Draffen | Genoa Filbeck | Robert Glick Memorial | William Heath | Charles Hensley | J. Burnett Holland |
|--|--------------------------|--------------------|-------------------------------|------------------|----------------------------|-----------------|------------------|-----------------------------|------------------|--------------------|-----------------------|
| REVENUES: | | | | | | | | | | | |
| From local sources: | | | | | | | | | | | |
| Earnings on Investments | \$ 59 | \$ 149 | \$ 1,135 | \$ 442 | \$ 63 | \$ 0 | \$ 387 | \$ 9 | \$ 513 | \$ 53 | \$ 680 |
| Contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 |
| Total Revenues | 59 | 149 | 1,135 | 442 | 63 | 0 | 387 | 9 | 513 | 58 | 680 |
| EXPENDITURES | | | | | | | | | | | |
| Benefits paid | 0 | 3,500 | 600 | 0 | 500 | 5 | 318 | 0 | 0 | 500 | 750 |
| Total expenditures | 0 | 3,500 | 600 | 0 | 500 | 5 | 318 | 0 | 0 | 500 | 750 |
| Net Change in Position Held in Trust | 59 | (3,351) | 535 | 442 | (437) | (5) | 69 | 9 | 513 | (442) | (70) |
| Net Position Held in Trust at July 1, 2017 | 3,711 | 11,058 | 63,846 | 27,860 | 4,246 | 5 | 24,621 | 593 | 32,342 | 3,674 | 43,292 |
| Net Position Held in Trust at June 30, 2018 | <u>\$ 3,770</u> | <u>\$ 7,707</u> | <u>\$ 64,381</u> | <u>\$ 28,302</u> | <u>\$ 3,809</u> | <u>\$ 0</u> | <u>\$ 24,690</u> | <u>\$ 602</u> | <u>\$ 32,855</u> | <u>\$ 3,232</u> | <u>\$ 43,222</u> |

See independent auditor's report and accompanying notes to financial statements

| Holland Rose | W. & L. Holland Memorial | Landon Lovett Memorial | Steve Martin | Anthony McCarty | Mary Alice Newton | Andy Riley | Charlie & Cora Walker | North Marshall Alumni | Buddy Poe Memorial | Dasha Roberts Memorial | Reed Vocational Technical | Totals (Memorandum Only) |
|-----------------|--------------------------------|------------------------------|-----------------|--------------------|-------------------------|-----------------|-----------------------------|-----------------------------|--------------------------|------------------------------|---------------------------------|--------------------------------|
| \$ 50 0 | \$ 1,822 0 | \$ 182 2,650 | \$ 102 81 | \$ 0 0 | \$ 8 0 | \$ 114 0 | \$ 90 0 | \$ 19 0 | \$ 70 1,100 | \$ 60 500 | \$ 0 20,890 | \$ 6,007 25,226 |
| 50 | 1,822 | 2,832 | 183 | 0 | 8 | 114 | 90 | 19 | 1,170 | 560 | 20,890 | 31,233 |
| 0 | 1,500 | 1,200 | 0 | 82 | 0 | 0 | 0 | 0 | 250 | 4,750 | 20,890 | 34,845 |
| 0 | 1,500 | 1,200 | 0 | 82 | 0 | 0 | 0 | 0 | 250 | 4,750 | 20,890 | 34,845 |
| 50 | 322 | 1,632 | 183 | (82) | 8 | 114 | 90 | 19 | 920 | (4,190) | 0 | (3,612) |
| 3,167 | 106,709 | 11,185 | 6,343 | 82 | 541 | 7,218 | 5,669 | 1,157 | 4,012 | 5,835 | 0 | 367,166 |
| <u>\$ 3,217</u> | <u>\$ 107,031</u> | <u>\$ 12,817</u> | <u>\$ 6,526</u> | <u>\$ 0</u> | <u>\$ 549</u> | <u>\$ 7,332</u> | <u>\$ 5,759</u> | <u>\$ 1,176</u> | <u>\$ 4,932</u> | <u>\$ 1,645</u> | <u>\$ 0</u> | <u>\$ 363,554</u> |

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass- Through Grantor's Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---------------------------|---|---------------------------------------|-------------------------|
| <u>U.S. Department of Education:</u> | | | | |
| Received Direct: | | | | |
| School Safety National Activities | 84.184 | 534DV | \$ 0 | \$ 138,213 |
| Total Direct | | | 0 | 138,213 |
| Passed Through State Dept. of Education: | | | | |
| Special Education Grants to States | 84.027 | 3810002-16 & 17 | 0 | 1,081,201 |
| Special Education Preschool Grants | 84.173 | 3800002-17 | 0 | 57,781 |
| Total Special Education Cluster | | | 0 | 1,138,982 |
| Title I Grants to Local Educational Agencies | 84.010 | 3100002-15, 16, & 17 | 0 | 847,642 |
| Supporting Effective Instruction State Grants | 84.367 | 3230002-16 & 17 | 0 | 137,030 |
| Career and Technical Education Basic Grants to States | 84.048 | 3710002-16 & 17 | 0 | 44,199 |
| Student Support and Academic Enrichment Program | 84.424 | 342002-17 | 0 | 18,858 |
| Passed through State Workforce Cabinet: | | | | |
| Adult Education Basic Grants to States | 84.002 | KYAE-2018-039 | 0 | 48,504 |
| Total Passed through State | | | 0 | 2,235,215 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 0 | 2,373,428 |
| <u>U.S. Department of Health & Human Services:</u> | | | | |
| Passed through Murray Board of Education: | | | | |
| Head Start | 93.600 | 655D | 0 | 236,533 |
| TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES | | | 0 | 236,533 |
| <u>U.S. Department of Agriculture:</u> | | | | |
| Passed through State Dept. of Education: | | | | |
| National School Lunch Program - cash | 10.555 | 7750002-17 & 18 | 0 | 1,426,448 |
| National School Lunch Program - donated foods (Note B) | 10.555 | N/A | 0 | 182,969 |
| School Breakfast Program | 10.553 | 7760005-17 & 18 | 0 | 512,483 |
| Summer Food Service Program for Children | 10.559 | 7690024-17 & 7740023-17 | 0 | 13,059 |
| Total Child Nutrition Cluster | | | 0 | 2,134,959 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 0 | 2,134,959 |
| TOTAL FEDERAL ASSISTANCE | | | \$ 0 | \$ 4,744,920 |

See accompanying notes to schedule
of expenditures of federal awards

MARSHALL COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Marshall County School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Marshall County School District, it is not intended to and does not present the financial position or changes in financial position of the Marshall County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Marshall County School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2018 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 14 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 17 of the audit report:

| | | |
|--|----|------------------|
| Total intergovernmental – indirect federal from page 14 | \$ | 2,711,667 |
| Total federal grants from page 17 | | 1,951,990 |
| Donated commodities from page 17 | | 182,969 |
| Less: Amount of federal funds received as services, such as Medicaid | | <u>(101,706)</u> |
| Total on page 73 | \$ | <u>4,744,920</u> |

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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♦
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements, and have issued my report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Marshall County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated November 14, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 14, 2018

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MEMBER,
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Marshall County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Marshall County School District's major federal programs for the year ended June 30, 2018. Marshall County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Marshall County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Marshall County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Marshall County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Marshall County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
November 14, 2018

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> |
|---|--------------------|
| Child Nutrition Cluster: | |
| National School Lunch Program | 10.555 |
| School Breakfast Program | 10.553 |
| Summer Food Service Program for Children | 10.559 |

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Marshall County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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Kentucky State Committee for School District Audits
and Members of the Board of Education of
Marshall County School District
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2018, and have issued my report thereon dated November 14, 2018. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 14, 2018

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2018

UNCORRECTED PRIOR YEAR COMMENTS

North Marshall Middle – When examining a sample of cash disbursements in the prior year, we noted thirteen instances where the purchase order was dated after the invoice date. We also noted fifteen instances of disbursements with no supporting invoice, with seven of these being credit card charges. In the current year, we noted four purchase orders that were dated after the invoice date and eight were not supported by either invoices or standard invoices, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Marshall County Technical Center – When examining a sample of cash disbursements in the prior year, we noted three instances where the purchase order was dated after the invoice date. In the current year, we noted eight purchases where the approval date was after the invoice date, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

CORRECTED PRIOR YEAR COMMENTS

Central Elementary – When examining a sample of cash disbursements in the prior year, we noted ten instances where the purchase order was dated after the invoice date. These were written to a variety of vendors. In the current year, purchase requisitions and purchase orders were properly dated.

Sharpe Elementary – When examining a sample of cash disbursements in the prior year, we noted four instances where the purchase order was dated after the invoice date. We also noted two purchase orders that were not signed. In the current year, purchase orders were properly dated and signed.

South Marshall Elementary – In the prior year, we did not find a fundraiser worksheet for one fundraiser. In the current year, fundraiser worksheets were present for the fundraisers that were selected for testing.

When examining a sample of cash disbursements in the prior year, we noted four instances where the purchase order was dated after the invoice date and another purchase order that was not signed to indicate approval. We also did not locate a purchase order for one disbursement for a field trip. In the current year, purchase orders were on file and were properly dated and signed.

North Marshall Middle – When examining a sample of cash receipts in the prior year, we noted eight multiple receipt forms that were completed by one person, including writing names of each person who remitted the funds. In the current year, cash receipts documentation appeared to be properly completed.

In our test of inventory control procedures, we noted there were no F-SA-5 forms being completed for pencil sales. Pencil sales were discontinued in the current year. No inventory control worksheets were needed.

When examining a sample of cash disbursements in the prior year, we noted nine purchase orders for credit card charges that were not signed by the person making the purchase request and, although the principal signed all purchase orders, none were dated by the principal. In the current year, purchase orders were properly signed.

When reviewing documentation for fundraisers in the prior year, we noted there was no fundraiser worksheets used for four of them. In the current year, a worksheet was prepared for each fundraiser.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2018

CURRENT YEAR COMMENTS

North Marshall Middle

Cash Disbursements: When examining a sample of cash disbursements, we noted four instances where the purchase order was dated after the invoice date. We also noted eight instances of disbursements with no supporting invoice or standard invoice. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Purchasing policy #7 on the same page notes that "each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursements shall be supported by a standard invoice, which must be signed by the payee."

Management's Response:

We have reviewed the purchase order policy with staff, but a couple of teachers have still failed to get the PO prior to purchase. At our next faculty meeting, on December 5th, I will let the staff know that there will be no more reimbursements. If a teacher purchases something without a PO, they will incur the cost.

Athletic Ticket Sales: When examining the basketball schedule and comparing home games to Forms F-SA-1, we noted that although there was a game scheduled at home on December 19, 2017, there was no Form F-SA-1 found for that date. There were ticket numbers missing between the ending ticket number for the game on December 14th and the beginning ticket number for the game on January 4th, but no deposit was noted on the list of receipts during that time frame. The Redbook requires pre-numbered tickets be used with all events for which admission is charged. In cases where a game is cancelled and tickets are not sold, that should be noted on the schedule. In this case, the missing ticket numbers indicate that there was some event during that time. If tickets were used for a different event, that should be noted and Form F-SA-1 should be used. If tickets were used for an event for which there was no admission charged, that should also be noted.

Management's Response:

This game was scheduled on December 19th and snow was in the forecast. Because of the driving distance for Fulton County, they cancelled the game at the last minute. We had already sold tickets to some of our fans. We returned that money. The Form F-SA-1 for that night was discarded. In the future, we will file those even when games are cancelled.

Fundraisers: When reviewing the worksheet for a candy bar fundraiser, we noted there was a shortage of \$383 out of total potential sales of \$3,060.00. There was no explanation for the shortage, although Form F-SA-2B includes a section for this. Sponsors should attempt to determine if students did not turn in all of the money or leftover candy to be accounted for.

Management's Response:

We will fill out a new fundraiser form for the candy bars that remained.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2018

CURRENT YEAR COMMENTS (Continued)

Marshall County Technical Center

Purchasing: When examining a sample of cash disbursements, we noted eight instances where the purchase order was dated prior to the invoice date; however, the approval date was after the invoice date.

Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

Management's Response:

In an effort to stay in compliance with the Redbook Purchasing Policy #5, found on page 12, the Principal has been reminded by central office staff that all purchase orders shall be prepared and approved by the sponsor and principal before any payment is obligated. Principal has stated that he will meet with all teachers/sponsors to educate them on Purchasing Policy #5 and will enforce that all purchase orders are prepared and approved by the principal prior to any purchases being made.